

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11-042345-120

S U P E R I O R C O U R T
Commercial Division
*Designated tribunal under the
Companies' Creditors Arrangement Act*¹

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.

DEBTORS

- and -

FTI CONSULTING CANADA INC.
MONITOR

**TWENTY-SECOND REPORT TO THE COURT SUBMITTED BY FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS MONITOR**

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 “Debtors”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) and an initial order (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 Debtors until April 5, 2012, (as extended from time to time thereafter², the “Stay Period”) and appointing FTI Consulting Canada Inc. as monitor of the Debtors (the “Monitor”). The proceedings commenced by the Debtors under the CCAA will be referred to herein as the “CCAA Proceedings”.
2. On March 19, 2013, the Company filed its motion requesting the Third Interim Distribution to the Secured Lenders in the amount of USD\$25 million. The Monitor prepared and filed its Twenty First Report to provide comments on this Motion. The

¹ *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

² The Stay Period was extended five times by way of Orders dated April 5, May 4, July 19, October 19, 2012 and February 1, 2013 and is set to expire on June 28, 2013.

Motion was returnable on April 5, 2013 but was adjourned on that date sine die and is expected to be re-presented in the coming weeks.

3. The purpose of this report is to advise the Court on certain revisions to the Company's January 19th Cash Flow to address the payment of amounts relating to the extension of the insurance policies for the benefit of the Company's former directors and officers (collectively the "**D&O Policy**").
4. In preparing this report, the Monitor has relied upon unaudited financial information of the Debtors, the Debtors' books and records, certain financial information prepared by the Debtors and discussions with the Debtors' management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor.

THE THIRD INTERIM DISTRIBUTION

6. On February 1st, 2013, the Court granted an Order extending the Stay Period up until June 28, 2013, on the basis, *inter alia*, of the Company's cash flow forecast for the period January 19, 2013 to June 21, 2013. The Monitor reported in its Twenty First Report that it was satisfied that the assumptions underlying the January 19th Cash Flow remained valid.
7. The original D&O Policy in place at the time of the Initial Order was a one year policy set to expire on May 1, 2012 and was extended for an additional year. Accordingly, the D&O Policy coverage is now scheduled to expire on May 1, 2013. The Company initially determined that it would not be necessary to arrange a further extension of the D&O

Policy and reported this to the Court in paragraph 35 of the Tenth Report of the CRO dated January 23, 2013.

8. However, after discussion with the Secured Lenders, the Company has concluded that it would in fact be in the interests of stakeholders to arrange a further six month extension of the D&O Policy such that coverage will remain in place through October 31, 2013, as well as triggering the extended reporting period (“**ERP**”) under the D&O Policy for a further three years effective from that date. This will effectively provide stakeholders with greater certainty that any claim against a director will be made at a time where it can be reported to the insurers under the D&O Policy. The Monitor agrees.
9. Paragraph 17 of the Initial Order permits the Company to pay reasonable expenses incurred in carrying on the Business in the ordinary course and in carrying out the provisions of the Initial Order provided that such payments are in accordance with the cash flow filed with the Court from time to time and approved by the Third Party Secured Lenders. The itemized expenses include “...all expenses reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance)...”.
10. The payment of the premiums for the extension of the D&O Policy was not reflected in the January 19th Cash Flow. Accordingly, the Company has prepared a revised cash flow forecast to cover the same period and include the payment of the D&O Policy premium for the six month extension as well as the premium for a three year ERP (the “**Revised Cash Flow**”). The total premium payable is \$497,120.00. A copy of the Revised Cash Flow is attached as Schedule A. Although the Revised Cash Flow now includes the above D&O Policy premiums as a line item, the Monitor notes that there is no change to the forecasted results due to the reallocation of expenses from the “other” category to the D&O Policy line item.
11. The Monitor has reviewed the Revised Cash Flow and is satisfied that the revisions and the proposed payment of the D&O Policy premiums are reasonable.

12. The Monitor has been advised that the Third Party Secured Lenders have approved the payment of the D&O Policy premiums and the Revised Cash Flow.
13. The Monitor respectfully submits this Twenty-Second Report to the Court.

Dated this 26th day of April, 2013.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Aveos Fleet Performance Inc. and Aero Technical US, Inc.



Greg Watson
Senior Managing Director



Toni Vanderlaan
Senior Managing Director

Appendix A

The Revised Cash Flow