

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

**EIGHTH 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**”.

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

² The Stay Period was extended twice by way of Orders dated April 5 and May 4, 2012 and is set to expire on July 20, 2012.

2. On April 20, 2012, the Court granted the Debtors' *Motion for Approval of a Divestiture Process* and issued an Order Approving the Divestiture Process.
3. On May 2, 2012, Air Canada filed a motion *de bene esse* (the "**AC Motion**") for an order lifting the stay of proceedings to confirm the termination of certain contracts.
4. Aveos and Air Canada held several meetings in the period prior to the scheduled hearing date for the AC Motion.
5. On May 18, 2012, Air Canada agreed to withdraw the AC Motion and continue negotiations with Aveos to establish a commercial resolution to the matters raised by the AC Motion.
6. On May 23, 2012 NorthgateArinso Canada Inc. filed a De Bene Esse Motion (the "**NGA Motion**") to strike the notice by Aveos to disclaim or resiliate an agreement.
7. On May 22, 2012 A J Walter Leasing Ltd filed a motion to repossess certain assets.
8. The purpose of this report is to advise the Court of the results of the negotiations between Aveos and Air Canada (together the "**Parties**") and the resultant updates to the Divestiture Process.
9. 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.

10. 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 AIR CANADA AND AVEOS AGREEMENT

11. On May 30, 2012, Air Canada and Aveos concluded negotiations on an agreement (the "**AC Agreement**") which created a commercial solution to a number of issues faced by Aveos and Air Canada and the subject of the relief sought in the AC Motion.
12. The AC Agreement outlines the key terms of how the Parties will work together towards the completion of the transactions contemplated in the Divestiture Process.
13. The AC Agreement includes a new exclusive contract for the Engines business through 2018, which will be offered for sale along with the Engines facility. Air Canada has agreed to provide its support and consent to the assignment of the new Engines contract, so long as the successful purchaser meets Air Canada's requirements.
14. Air Canada has agreed to conduct a request for proposals for approximately 1000 component parts, currently serviced at Aveos' Components facility (the "**Components RFP**"). The Components RFP will be used to secure a contract for a term of not less than 5 years and not more than 10 years and will stipulate that the work on these components must be undertaken in the current Aveos Components facility. The contract or contracts resulting from the Components

RFP will be provided to Aveos by July 11, 2012. Aveos will continue to market the Components facility as part of the Divestiture Process.

15. The Divestiture Process has not generated interest in the Air Frames business as a going concern in its current form. The AC Agreement addresses the commercial concerns of both Air Canada and Aveos in respect of the Air Frames business.
16. In addition, Air Canada has agreed to continue to waive the rent and IT costs associated with the facilities leased by Aveos until September 30, 2012.
17. The Monitor and the CRO will provide additional information about the AC Agreement and the results of the Divestiture Process in respect of each of the Aveos' businesses along with the Company's request for a vesting order to complete the transactions arising from the Divestiture Process.
18. The AC Agreement results in a higher probability that both the Engines and Components business will be sold to a party that can restart operations as it will have the support of Air Canada, Aveos' largest customer, however, there are still a number of market risks inherent in the Divestiture Process.

THE DIVESTITURE PROCESS

19. The time lines associated with the Divestiture Process have been revised to reflect the needs of the bidders as well as the changes resulting from the AC Agreement. There will now be two Phase 1 Bid Deadlines; the first for all lots excluding lot 7, (the Component business), will be June 6, 2012 and the Phase 1 Bid Deadline for the Components business will be July 13, 2012. The Phase 2 Bid Deadlines have also been adjusted as follows; for all lots including the Engines business but excluding the Components business is expected to be June 14, 2012. The Phase 2 Bid Deadline for the Components business is expected to be July 17, 2012.

20. On May 25, 2012 all the parties participating in the Divestiture Process were advised of the likelihood of a change to the Divestiture Process timeline. On May 30, 2012 all the parties participating in the Divestiture Process were advised of the changes to the Divestiture Process timeline and the revised Bid Deadlines. On May 31, 2012 this change was announced to the service list and posted on the Monitor's website.
21. The Monitor is advised that the potential purchasers are continuing their due diligence and it is expected that bids will be received at the Phase 1 Bid Deadlines.

OTHER MATTERS

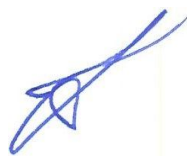
22. The Monitor is aware that there are currently two other matters pending before the Court. Aveos and the Monitor are working diligently to resolve the matters arising from the NGA motion. The Monitor will provide an update to the Court on this matter as well as the AJ Walters motion before its next appearance before the Court.
23. The Monitor respectfully submits to the Court this Eighth Report.

Dated this 5th day of June, 2012.

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



Greg Watson
Senior Managing Director



Toni Vanderlaan
Managing Director