

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

SEVENTEENTH 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 four times by way of Orders dated April 5, May 4, July 19, and October 19, 2012 and is set to expire on February 1, 2013.

2. On November 2, 2012, the Company filed its motion requesting approval to make payment of certain sums to employees, (the “**Remaining Priority Payments**”) in the amount of approximately \$400,000.00.
3. The purpose of this report is to advise the Court on the Monitor’s support of the Company’s request for an order approving the payment to employees of the Remaining Priority Payments.
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 REMAINING PRIORITY PAYMENTS

6. On or about April 22, 2012 the Company made payment to the employees of outstanding base wages earned in the pre-filing period, in accordance with the order of the Court issued on April 5, 2012 (the “**First Payroll Order**”).
7. The payments made in accordance with the First Payroll Order were in respect of base wages only and did not include payments for amounts owing in respect of vacation pay, accrued and unpaid overtime and other wage obligations owing to the employees. As a result of this limitation, certain employees whose earned and unpaid bases wages were

less than \$2,000.00 received payments of less than the \$2,000.00 limit set by sections 81.3 and 81.4 of the *Bankruptcy and Insolvency Act* (the “**BIA**”) under the First Payroll Order.

8. In accordance with sections 36(7) and 6(5)(a) of the CCAA, a priority for payments to employees, equal to what the employees would have been entitled to receive under section 136(1)(d) of the BIA, arises where a debtor company seeks to sell or dispose of its assets outside the ordinary course of business or to have a plan of compromise or arrangement sanctioned by the Court, such that the Court must be satisfied before authorizing such a disposition or sanctioning a plan, that the debtor can and will make the required payments. The priority granted to employees under section 136(1)(d) of the BIA is up to a maximum of \$2,000.00, generally in respect of unpaid wages, salaries and commissions, which includes vacation pay but does not include termination or severance pay.
9. The same priority obligation also arises under sections 81.3 and 81.4 of the BIA, in the event that the debtor does not present a plan of arrangement or compromise but becomes subject to a bankruptcy or a receivership.
10. As explained in the motion, the Remaining Priority Payments consist of the difference between the amount owing as wages up to the maximum priority payment amount for employees and the amounts paid to those employees who received a payment of less than the maximum priority payment amount under the First Payroll Order.
11. The Company’s motion seeks the direction and authorization of the Court to make payments in respect of the Remaining Priority Payments. This amount totals approximately \$400,000.00. In addition to this amount, the Company seeks to make payment of certain statutory employer payroll contributions that would become due and owing as a result of the payments to employees and the authorization to pay approximately \$3,500.00 in overtime wages which is not a priority amount but is due and

owing to the respective employees as explained in paragraph 30 of the Company's motion.

12. The Company seeks the approval to make the Remaining Priority Payments in anticipation that it will either present a plan of compromise or arrangement or will seek an order from the Court to trigger the application of the Wage Earner Protection Program Act (the "**WEPPA**"), thereby giving rise to the priority under section 81.4 of the BIA. Ultimately, the Company will, in all likelihood, either file a plan of arrangement or compromise, become subject to a receivership order, or be declared bankrupt, but these two latter eventualities may not occur, as the case may be, for several months.
13. The expedited payment of these amounts to employees in advance of the filing of a plan or other triggering event will be beneficial to those employees who would receive an additional payment of amounts owing by the Company but otherwise only payable at a later stage.
14. The Company has filed in support of its recent motion for an extension of the Stay Period, a cash flow demonstrating that it has sufficient funds on hand and available to make payment in respect of the Remaining Priority Amounts and the Monitor is satisfied with respect to the Company's ability to make the requested payments.
15. The Monitor is satisfied that, while it does not affect the right of employees and former employees to claim amounts payable under the WEPPA, nor does it affect their rights against Aveos' former directors and any insurers, the Company's motion does not confer any undue preference to Aveos' employees and former employees.
16. The Monitor is satisfied that the Company's motion with respect to the Remaining Priority Payments has been discussed in advance with the Union, the Third Party Secured Lenders and Human Resources and Skills Development Canada.

17. The Monitor supports the Company's request for an order authorizing the payment of the Remaining Priority Payments for the same reasons it also supported the First Payroll Order and respectfully recommends that the Company's request for an order be granted.

18. The Monitor respectfully submits this Seventeenth Report to the Court.

Dated this 6th day of November, 2012.

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

A handwritten signature in blue ink, appearing to read 'Greg Watson', with a stylized flourish extending to the right.

Greg Watson
Senior Managing Director

A handwritten signature in blue ink, appearing to read 'Toni Vanderlaan', with a stylized flourish extending to the right.

Toni Vanderlaan
Managing Director