

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

SUPERIOR COURT  
Commercial Division  
*Designated tribunal under the  
Companies' Creditors Arrangement Act*<sup>1</sup>

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

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

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**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, (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".

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

2. On April 5, 2012, the Court granted a first extension of the Stay Period until May 4, 2012. During this hearing, the Court heard the testimony of the CRO (Mr. Jonathan Solursh) and of the Monitor (Ms. Toni Vanderlaan) concerning the restructuring efforts to date and a proposed divestiture process (the “**Divestiture Process**”).
3. On April 20, 2012 the Court granted an order approving the Divestiture Process.
4. On April 23, 2012 the Company filed a motion for the approval of a sale of certain redundant parts (the “**Redundant Parts**” and the motion for the approval of the sale of same, the “**Redundant Parts Sale Motion**”).
5. The purpose of this report (the “**Monitor’s Fourth Report**”) is to provide the Court with information and the Monitor’s recommendation in respect of the Redundant Parts Sale Motion.
6. 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.
7. Capitalized terms not otherwise defined herein have the meanings defined in the pre-filing report of the Proposed Monitor or in the Redundant Parts Sale Motion.



## **THE SALE OF REDUNDANT PARTS**

8. On April 23, 2012 the Company filed the Redundant Parts Sale Motion with the Court in accordance with paragraph 32 (c) of the Initial Order requesting approval of the proposed sale of Redundant Parts to Inventory Navigators, LLC (the "Purchaser") for USD\$593,450.00 before tax. A copy of the proposed purchase order is attached as Appendix A.
9. The proposed sale (the "Transaction") is outside the ordinary course of business, as these parts were part of the pool held to support the CFM56 engine product line and in the ordinary course would have been held until used for servicing.
10. The Monitor is satisfied that the Redundant Parts are not integral to the activities of the Company, or to any of the lines of business and divisions which it operates and which are the object of the Divestiture Process. The Monitor understands and is satisfied that the Redundant Parts were not of the type overhauled or repaired by the Company but, when applicable, were overhauled by outside vendors. The Redundant Parts were carried in the Company's inventory for mere convenience as they provided the opportunity for the Company to readily exchange certain parts in certain limited circumstances, rather than due to any mandatory operational requirement or to support any obligations or commitments of the Company.
11. The Monitor is satisfied that the Redundant Parts can be considered excess for the following reasons:
  - (a) The total value of the parts proposed to be sold represent only 5.4% of the part pool on hand in respect of the CFM56 and only 2.6% of the total gross inventory of the Engine Business unit;
  - (b) The parts were held for convenience as part of the rotatable pool;
  - (c) The parts are readily available in the used serviceable market and could be repurchased if required; and



- (d) A sale of these parts will not cause a negative impact to the value of the Engine Business.
12. Also, the Company does not foresee that the Redundant Parts could be required by any of the parties acquiring the lines of business and/or divisions that would be divested in the context of the Divestiture Process, such that their sale will not affect the ongoing Divestiture Process.
13. The Company has provided to the Monitor a detail analysis of the Redundant Parts, including the date of purchase, the value and the proposed sale price. The Company confirms that none of the Redundant Parts included in the proposed sale represent goods received in the 30 days prior to the Initial Order.
14. The Company has confirmed that the proposed purchase price of the Redundant Parts is higher than Aveos' original purchase price and that it represents fair value for the parts being sold. The parts are being sold to a sophisticated purchaser on an "as is where is" basis.
15. In evaluating the Transaction, the Monitor considered the following factors in accordance with paragraph 36(3) of the CCAA:
- (a) The Monitor is satisfied that the process undertaken by the Company to assess the inventory and the proposed disposition is reasonable in the circumstances and that there is no valid reason to sell the Redundant Parts as part of the more formal Divestiture Process given the offer at hand;
  - (b) The Monitor approves of the process undertaken for the sale of the Redundant Parts;
  - (c) The Monitor is submitting this report to the Court to confirm that in the Monitor's opinion the Transaction would be more beneficial to the creditors than a sale under bankruptcy and that the Transaction will allow the Company to advance with its restructuring efforts for the benefit of all of its stakeholders;

- (d) The Monitor is advised by the CRO that the Lenders have been consulted with in respect of the Transaction;
  - (e) The Transaction does not unduly prejudices the rights of any creditor and provides sufficient protection by simply requiring the proceeds of the Transaction to be paid to the Company;
  - (f) The Transaction will provide additional capital to support the Divestiture Process, which has been designed to increase the value realized by the Lenders and other interested stakeholders and to facilitate a transaction or transactions that could lead to the restart of one or more of the divisions of the Company; and
  - (g) The Monitor is advised by the Company and is satisfied that the consideration to be received is reasonable and fair.
16. The Monitor is satisfied that the Company can, intends and will make the payments that would have been referred to under paragraphs 36(7) of the CCAA.
17. The Transaction contemplates the sale of the assets free and clear of all hypothecs, liens, charges and encumbrances. The Redundant Parts Sale Motion includes a request that Court vest the purchased assets with the Purchaser free and clear of any charges and encumbrances.
18. Apart from the deemed trusts with respect to unremitted source deductions and pension contributions, the only secured creditors likely to be affected by the Transaction are the Lenders. The proceeds raised from the Transaction will be used to advance the Divestiture Process for the benefit of the Lenders as well as other stakeholders.

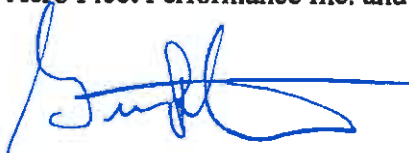
**CONCLUSION**

19. The Monitor is of the view that the relief requested by the Company in respect of the approval of the proposed Sale of Redundant Parts is fair and appropriate and that such relief should be granted as requested. The purchase price is advantageous and the sale of the Redundant Parts is not expected to create a negative impact on the value of the Engine Business and also provides additional cash resources to fund the Divestiture Process.

The Monitor respectfully submits to the Court this Fourth Report.

Dated this 23<sup>rd</sup> day of April, 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

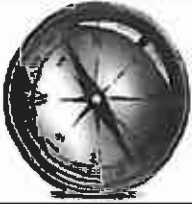
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## **Appendix A**

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### **The Inventory Navigators LLC Purchase Order**





# Inventory Navigators, LLC

A Division of INAV Group, LLC

912 Donata Court  
Lake Zurich, Illinois 60047  
Phone: 847-847-3600 Fax: 847-847-36

## Purchase Order

Original

**Order #: P1599**  
**Orig. PO Date: 4/13/2012**  
**Printed: 4/19/2012 At: 12:34:44 PM**  
**# of Items: 30 Page: 1**

### Purchased From:

**ATTN: Michael Gaetano**  
**AVEOS**  
**7171 COTE-VERTU WEST, ZIP 8048**  
**ST. LAURENT, (QUEBEC) H4S 1Z3**  
**CANADA**

### SHIP TO:

**INVENTORY NAVIGATORS, LLC**  
**912 DONATA CT.**  
**LAKE ZURICH, IL 60047**  
**USA**

**PO Date: 4/13/2012 Vendor Phone:**      **Ship Via: FEDX STD OVERNIGHT**  
**Need Date: 0 Vendor Fax:**              **Account:**                                      **PO Created by:**  
**Cust Ref #:**                                      **Terms: COD**                                      **FOB:**    **SEANM**

**Resale: YES Resale #: 07-624107-Y**      **Remarks:**

**\*\*\* All Material is Subject to QA Inspection \*\*\***

Item	Part Number / Description	CD	Order Qty	Qty Recd	Req'd Date	Unit Price	Line Total
1	338-108-608-0 NOZZLE, LPT 1	NE	8	0			
2	338-108-608-0 NOZZLE, LPT 1	OH	7	0			
4	338-112-606-0 SEAL	NE	2	0			
9	1808M61G07 HANGER	OH	14	0			
11	338-108-608-0 NOZZLE, LPT 1	OH	1	0			
12	338-108-608-0 NOZZLE, LPT 1	OH	1	0			
13	338-108-608-0 NOZZLE, LPT 1	OH	1	0			
14	338-108-608-0 NOZZLE, LPT 1	OH	1	0			
15	338-108-708-0 NOZZLE, LPT 1 BORESCOPE	OH	1	0			
16	338-108-708-0 NOZZLE, LPT 1 BORESCOPE	OH	1	0			
17	338-108-708-0 NOZZLE, LPT 1 BORESCOPE	OH	1	0			
18	338-108-708-0 NOZZLE, LPT 1 BORESCOPE	OH	1	0			
20	338-112-651-0 OUTER SEGMENT SEAL	OH	18	0			
21	338-112-651-0 OUTER SEGMENT SEAL	NE	18	0			
22	1893M42G02 HPT HANGER	OH	8	0			

**Item Total:** [REDACTED]

**Authorized Signature:**

4/19/2012

See last page for totals





# Inventory Navigators, LLC

A Division of INAV Group, LLC

912 Donata Court  
Lake Zurich, Illinois 60047  
Phone: 847-847-3600 Fax: 847-847-36

## Purchase Order

Original

Order #: P1599

Orig. PO Date: 4/13/2012

Printed: 4/19/2012 At: 12:34:46 PM

# of Items: 30 Page: 2

### Purchased From:

ATTN: Michael Gaetano  
AVEOS  
7171 COTE-VERTU WEST, ZIP 8048  
ST. LAURENT, (QUEBEC) H4S 1Z3  
CANADA

### SHIP TO:

INVENTORY NAVIGATORS, LLC  
912 DONATA CT.  
  
LAKE ZURICH, IL 60047  
USA

PO Date: 4/13/2012 Vendor Phone: Ship Via: FEDX STD OVERNIGHT  
Need Date: 0 Vendor Fax: Account:  
Cust Ref #: Terms: COD FOB: PO Created by: SEANM

Resale: YES Resale #: 07-624107-Y Remarks:

**\*\*\* All Material is Subject to QA Inspection \*\*\***

Item	Part Number / Description	CD	Order Qty	Qty Recd	Req'd Date	Unit Price	Line Total
23	1893M42G02 HPT HANGER	OH	3	0			
24	1808M61G04 HANGER	OH	2	0			
25	1808M61G04 HANGER	OH	1	0			
26	1808M61G04 HANGER	OH	1	0			
27	1808M61G04 HANGER	OH	1	0			
28	1808M61G04 HANGER	OH	3	0			
29	1808M61G04 HANGER	OH	1	0			
30	1808M61G04 HANGER	OH	2	0			
31	1808M61G04 HANGER	OH	1	0			
32	1808M61G06 HANGER	NE	11	0			
33	1808M61G06 HANGER	NE	13	0			
35	2080M28P01 SHROUD	OH	3	0			
36	338-112-606-0 SEAL	NE	2	0			
37	2086M14G02 NOZZLE, HPT	OH	21	0			
38	2080M35G02 NOZZLE	OH	1	0			

SALE IS FINAL, NO RETURNS AND/OR CREDITS AND CASH IN ADVANCE OF SHIPMENT RELEASE  
PHYSICAL PART AND TRACE INSPECTION ON-SITE AT AVEOS

Item Total: [REDACTED]

Authorized Signature:

4/19/2012

See last page for totals



# Inventory Navigators, LLC

A Division of INAV Group, LLC

912 Donata Court  
Lake Zurich, Illinois 60047  
Phone: 847-847-3600 Fax: 847-847-36

## Purchase Order

Original

Order #: P1599

Orig. PO Date: 4/13/2012

Printed: 4/19/2012 At: 12:34:47 PM

# of Items: 30 Page: 3

### Purchased From:

ATTN: Michael Gaetano  
AVEOS  
7171 COTE-VERTU WEST, ZIP 8048  
ST. LAURENT, (QUEBEC) H4S 1Z3  
CANADA

### SHIP TO:

INVENTORY NAVIGATORS, LLC  
912 DONATA CT.  
  
LAKE ZURICH, IL 60047  
USA

PO Date: 4/13/2012	Vendor Phone:	Ship Via: FEDX STD OVERNIGHT
Need Date: 0	Vendor Fax:	Account:
Cust Ref #:	Terms: COD	FOB:
Resale: YES	Resale #: 07-624107-Y	PO Created by: SEANM
Remarks:		

\*\*\* All Material is Subject to QA Inspection \*\*\*

Item	Part Number / Description	CD	Order Qty	Qty Recd	Req'd Date	Unit Price	Line Total
	COMPLETED AND FOUND TO BE ACCEPTABLE BY INAV FOB AVEOS DOCK ALL CUSTOMS AND TRANSPORTATION WILL BE INAV'S RESPONSIBILITY						

Item Total: \$593,450.00

Charges: \$0.00

P.O. Total: \$593,450.00

Authorized Signature:

Julie Gribbens

4/19/2012