

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)

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

SECOND REPORT OF THE CHIEF RESTRUCTURING OFFICER TO THE COURT

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 (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 until April 5, 2012 (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. ("REL"), the "CRO").
3. The purpose of this report is to inform the Court of the following:
 - a) the activities of the CRO since the date of his last report on April 3, 2012;

- b) the Company's cash flow forecast prepared in support of the request for an extension of the Stay Period; and
 - c) various other matters relevant to the CCAA Proceedings.
4. In preparing this report, the CRO has relied upon unaudited financial information of the Petitioners, the Petitioners' books and records, certain financial information prepared by the Petitioners and discussions with management and employees. The CRO has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. 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.

II. ACTIVITIES OF THE CRO FOLLOWING HIS FIRST REPORT

6. The CRO's activities have been focused on achieving stability at Aveos, both from an employment as well as a stakeholder relationship basis. In this regard, significant time and energy is being devoted to continue rebalancing the relationships Aveos has with its various stakeholders. The material stakeholders appear to be working with Aveos at this time in support of the Divestiture Process approved by the Court on April 20, 2012 (the "Divestiture Process" or "DP"). The DP is discussed in greater detail below.
7. Aveos currently employs approximately 82 people (plus 23 short-term contractors), which in total represents approximately 3% of the staff complement on March 18, 2012, who continue to assist with critical functions including:
- a) reconciling and updating of accounts, books and records;
 - b) assisting with the return of third party assets, as described in the First Report of the CRO and outlined in further detail below;
 - c) working with various stakeholders, including customers, government agencies, regulators, tax authorities, current and former employees and Union representatives to provide information, facilitate the DP, or settle outstanding commercial issues; and
 - d) preparing for and running the DP, which is becoming the primary focus of the CRO and Aveos.
8. The CRO and Aveos have also been working diligently to address and rectify problems stemming from certain internal control issues. The problems result from certain weak controls (pre-CCAA) or the failure of a control due to the effect of Aveos' sudden cessation of operations. To the extent that these issues continue to present themselves, they are being addressed on an ongoing basis.

9. The CRO has spent considerable time working with and consulting Aveos' various stakeholders, in order to ensure their interests are being addressed as best as possible. Management of the various stakeholders takes considerable time and attention of the CRO and his team.
10. Activities related to the collection of accounts receivable and related negotiations with customers are ongoing. Collections for the four weeks ended April 27, 2012 (the period initially reported in the cash flows attached to the First Report of the CRO) were approximately, \$4.2 million, which is approximately \$774,000 lower than budget. The variance is largely due to customers requesting additional information to be reconciled, delays in settlement of outstanding issues, timing differences for collection and other issues arising during the collection process. Collection of accounts is also in many cases tied up in the return of third party property, which adds complication.
11. Aveos will be taking a more aggressive position in the near term with customers who appear to be slow paying simply as a result of the CCAA Proceedings.
12. Settlements have been reached with a number of Aveos' larger customers. The settlements include facilitating the timely return of their property, reconciliation, settlement and payment of outstanding accounts and, in some cases, sale of inventory where the inventory is located at the customer premises. These inventory sales have been well below the limits set out in the Initial Order. This process is discussed in more detail later in this report.
13. Aveos is mindful of its relationships with customers and is taking great care to deal with them in a commercially reasonable and respectful way, recognizing that they have been inconvenienced by the current work shutdown. Fortunately, a number of customers have acknowledged this work and are looking to work with potential purchasers subject to the completion of the DP.

The Company continues to reconcile its work in process ("WIP") accounts, and has generated additional invoices of approximately \$18 million for the five weeks ended April 27, 2012.

III. FINANCIAL INFORMATION AND CASH FLOW

14. The Company's cash flow forecast for the eleven-week period ending July 13, 2012 indicates it can continue to fund its ongoing costs during that period. It is anticipated that this will allow for the Divestiture Process to progress to the point where it will be near completion before it will be necessary to seek a further extension of the Stay Period.
15. Attached as Appendix A are the cash flow projections for the eleven weeks ended July 13, 2012. The projections show that the Company is able to sustain itself throughout the DP.
16. Attached as Appendix B is the Statement of Receipts and Disbursements ("R&D") for the period March 31 to April 27, 2012. The R&D showed that the business has required funding of \$6.8 million since the date of filing, and that overall, the funding required during the period was \$1.8 million less than budget. This variance was largely due to the timing of payments.
17. The Company has paid the post-petition wages and source deductions of the employees who remain on staff as well as the post-petition wages of those employees who were terminated after the making of the Initial Order but on or prior to the date of the CRO's appointment.

18. In accordance with the Court's Order dated April 5, 2012 dealing with the payment of wages and related matters (the "Payroll Order"), the Company paid the pre-petition wages owed to employees by April 20, 2012.
19. Most of the issues relating to this payroll have been resolved. The issues stemmed from three sources:
 - a) Internal control issues at Aveos which resulted in the Company not correcting pay calculation errors prior to the payroll being run;
 - b) Errors which resulted from running a non-standard payroll, which is complex and not in the normal course; and
 - c) Set-offs that Aveos applied to this payroll, which were subsequently reversed as discussed in greater detail below.
20. "Negative time bank" is an item that would, in the normal course, be owed by employees to the Company upon termination. The Company had established a time bank in order to allow employees to get consistent pay while allowing the Company to flex the work hours available. Employees could be in a negative position if they were paid for more time than they actually worked. In consultation with the Monitor and in an effort to treat all employees equally, the Company initially made the decision to net amounts owed to the Company for negative time bank against the terminated employees' final pay.
21. The total value of time bank and other "deductions" was approximately \$350,000, net of source deductions. There were approximately 600 employees affected by the time bank set-off.
22. After further consideration and consultation with the Union and the Monitor, it was determined that these amounts would have, in the normal course, been netted against employees' claims for severance and termination, which would then help preserve the equities the set-off was designed to achieve. In addition, the net claim these employees would have for unpaid severance and termination, vacation pay and other termination amounts would be reduced by the negative time bank and form part of the WEPPA claim available to these employees. In other words, the deduction of these amounts from pay was effectively a timing issue. Accordingly, in the spirit of the Payroll Order and in an attempt to alleviate further hardship on the employees, the Company made the decision to pay the amounts that had been set off in the April 20 payroll to the employees during the week ended May 4, 2012.
23. The Company continues to work with Air Canada on the return of its assets. For certain of the Air Canada assets, this process is scheduled to run into July and August. Air Canada has continued its waiver of gross rent and IT costs to the Company in accordance with the agreement made on March 22, 2012 and reported in the First Report of the CRO. Accordingly, Aveos has not accrued any gross rent or IT costs related to Air Canada premises or IT services in its projections.
24. Subsequent to the Court issuing the Order for the release of Air Canada's assets on April 5, Air Canada and Aveos entered into a Retrieval Agreement. The agreement provides for, among other things, a protocol for the release of Air Canada assets along with the ability for Aveos to preserve its retention or lien rights, while also preserving Air Canada's ability to challenge those

rights. If there is a dispute as to what retention or lien rights Aveos has or if there is a dispute as to the amount due to Aveos, the agreement provides for funds to be placed into trust with the Monitor's counsel prior to the release of the Air Canada assets. To date Air Canada has deposited approximately \$12.4 million in trust under the terms of the Retrieval Agreement (including the Supplement referenced below), which represents 100% of the agreed reconciled balance owing by Air Canada (or the amounts determined by the Monitor to be appropriate, where agreement could not be reached) on account of work performed by Aveos with respect to the affected assets.

25. The disputed issues (against which funds have been deposited into the trust account) relate to a difference in opinion on cash applications for account payments by Air Canada to Aveos, in addition to the right of retention or lien issues. If a settlement on these differences of opinion cannot be negotiated, the parties may seek the guidance of the Court in the resolution of these issues. The CRO intends to follow up with Air Canada on this matter and, if needed, seek the Court's direction in the coming months.
26. On April 26, 2012 Air Canada and Aveos entered into the first Supplement to the Retrieval Agreement pursuant to which a schedule for the release of additional Air Canada assets and the payments to be made into the trust account in respect thereof were agreed.
27. The Air Canada account receivable balance owing according to Aveos' records remains unpaid at the time of writing this report. The Company is working through a reconciliation of these accounts, in cooperation with Air Canada. The underlying agreements between Aveos and Air Canada are complex, so it is expected to take a few weeks to come to a position on this matter.
28. On May 1, 2012 at Air Canada's request, the CRO and Air Canada commenced discussions regarding the status of Air Canada's contracts with Aveos. These discussions are expected to continue in the near future.
29. Notwithstanding the difference in view resulting in payments being paid into the trust, Aveos is endeavouring to return Air Canada assets as quickly as possible and Air Canada has been reasonable in this process and is providing support where it can for this and other matters related to the CCAA Proceedings and the DP.

IV. DIVESTITURE PROCESS

30. On April 20, 2012, the Court made an Order (the "DP Order") approving the Divestiture Process developed by the Company under the direction of the CRO. The DP provides a mechanism for Aveos to divest itself of its three primary lines of business or divisions, and also concurrently sell other assets it considers surplus or redundant to these lines of business. The DP encourages participation by parties who would want to operate one or more of the Aveos divisions while also allowing other parties to engage in the process. As previously stated, the CRO has a strong preference to see going concern solutions for one or more of the divisions but will entertain any and all offers submitted under the DP, as appropriate in the circumstance.
31. The DP is set on a very aggressive timeline, in order to mitigate the effect of the shutdown on the ability of a purchaser to restart the business. The Company is working diligently to assist parties in their due diligence. The balance between value degradation due to the shut down and the need to allow sufficient time to complete due diligence is very delicate. Prospective bidders are being encouraged to move quickly. In the event that it is determined at a later date

that the timetable is too aggressive and that all parties are working diligently but need more time the CRO does have the discretion under the DP to accommodate these concerns if appropriate. That said, in the interest of fairness to all parties and to honour the intent to expedite this process, the decision to extend time will be weighed very carefully and only exercised with an abundance of caution.

32. Advertisements have been placed in several newspapers as well as industry and financial publications, both locally and globally, to appear during the time period from April 27, 2012 through May 7, 2012. The publications include the Wall Street Journal, the Financial Times, the International Herald Tribune, the Globe & Mail, La Presse, AviTrader and Speednews. A copy of the form of advertisement is attached as Appendix C.
33. To date, 93 parties have expressed interest in either one or more of the business lines or divisions and/or specific assets of Aveos and 42 have executed a Non-Disclosure Agreement ("NDA"). Of these interested parties, 20 are strategic buyers, 16 are financial buyers, and 57 are interested in assets or liquidations. Significant activity has occurred over the past days and the Company anticipates more expressions of interest and facility tours to continue to occur.
34. The data room was made available to those parties who have signed an NDA, starting on April 26, 2012. The data room includes descriptions of the businesses, historical financial information, asset listings and other relevant commercial documents.
35. The CRO continues to consult on a frequent basis with Air Canada, the Union and the Province of Quebec in connection with the progress of the Divestiture Process. All parties have indicated they are supportive of the process. In addition, several of Aveos' significant customers have indicated their willingness to talk with prospective purchasers about commercial terms in support of a potential restart. While not conclusive, this customer support is helpful.
36. Air Canada has advised that it has set up a special process to deal with potential purchasers so that it will be in a position to assess the various aspects of the service offerings in support of the short timeline under the DP and respond to potential purchasers on an expedited basis.
37. The Union has been very co-operative in working with the CRO and has also indicated that they are prepared to work with multiple parties and encourage all potential buyers to contact them as soon as possible to work on commercial arrangements.
38. The CRO is encouraging parties to contact Air Canada, other customers and the Union early in the process to allow the parties sufficient time to work on commercial arrangements to support a transaction.

V. RETURN OF THIRD PARTY PROPERTY

39. Aveos is or has been in possession of property owned by customers and certain other third parties, including engines, components and airframes. With respect to engines, 39 remain in Aveos' control, after accounting for 15 that have already been returned. Of these 39, it is estimated that 14 could be returned by the end of May, depending on the speed of extraction by customers and their contractors. There are an additional 11 engines that could also possibly be returned in May, depending on the outcome of ongoing settlement discussions. The remaining 14 engines are either the subject of disputes, litigation, or have other complex circumstances that make their timeline more uncertain. The Company continues to work to resolve the remaining issues as quickly and efficiently as possible.

40. With respect to components, to date the removal process has commenced for 32 customers. The Company estimates that 15 of these are completed or substantially (at least 75%) completed. The remaining 18 customers are anticipated to be completed approximately mid-May. Whereas many customers have approached the Company to remove their components, the Company has also been proactively managing assets of customers who have not yet come forward to reclaim their property in order to expedite the eventual removal process.
41. Aveos was in possession of three Air Canada airframes on the date of the Initial Order. To date work on one of these aircraft has been completed by a third party contracted by Air Canada, and the aircraft has been redelivered to Air Canada in accordance with the Retrieval Agreement referenced above. Air Canada is organizing third party contractors to complete the work on the remaining two aircraft under the terms of the first Supplement to the Retrieval Agreement and expects to take possession of these aircraft once the work has been completed over the coming months.
42. The CRO has negotiated a program with the Union that allows customers and third party property owners to hire former unionized Aveos employees on a day-to-day basis to provide the assistance required in removing their assets. The program has the third party enter into a short term contract with the employee directly and outside of the bargaining unit. Compensation is in line with that set out in the collective agreement, and the Union is managing all seniority issues directly. This program has provided a pool of skilled workers for those customers who do not have the labour available to recover the assets on their own while also providing some financial relief to a number of out of work former Aveos employees.

VI. OTHER MATTERS

43. The CRO continues to consult with both the Monitor and the Agent for the Secured Lenders on a regular basis. In both cases, the CRO believes that their support is adding value and facilitating the process for the ultimate benefit of all stakeholders.
44. Although the 30 day goods provisions in Section 81.1 of the Bankruptcy and Insolvency Act do not apply under the CCAA, the Company is being mindful of this issue, and has taken appropriate measures in order to avoid prejudicing the interests of these suppliers to the extent possible. In this regard, the Company is reviewing all receipts of inventory for the period 30 days prior to filing, estimating amount of 30 day goods inventory still on hand as of the date of filing, and quantifying the amounts due and owing in respect thereof.
45. The Company has been working to identify any operating leases for assets that are not required during the post-filing period. These leases are being terminated under the process established by the Monitor and mutual releases are being exchanged. Lessors are being contacted and advised to pick up their equipment; however, certain lessors have chosen or may choose to leave their equipment in place so that they have an option to work with successful purchaser(s) who may be looking to restart operations. The Company is asking these parties to prepare proposals for potential purchasers that can be posted in the data room, for ease of reference.
46. On April 16, 2012, a premium payable under the Company's aviation liability insurance policy became due. This policy covered Aveos' affiliate Aeromantenimiento, S.A. ("Aeroman") in addition to Aveos. Both Aveos and Aeroman continue to require this coverage at this time. Due to the CCAA filing and the resulting necessity to sever the connection between Aveos and

Aeroman, discussions were undertaken with Aeroman regarding the payment of this insurance premium. Aeroman obtained the pricing of a standalone policy, and it was agreed that it would pay the portion of the policy equal to the price of its standalone quote. The policy was also modified to reflect Aveos' current needs. The combination of these two items reduced Aveos' cost considerably. The policy will expire in October 2012.

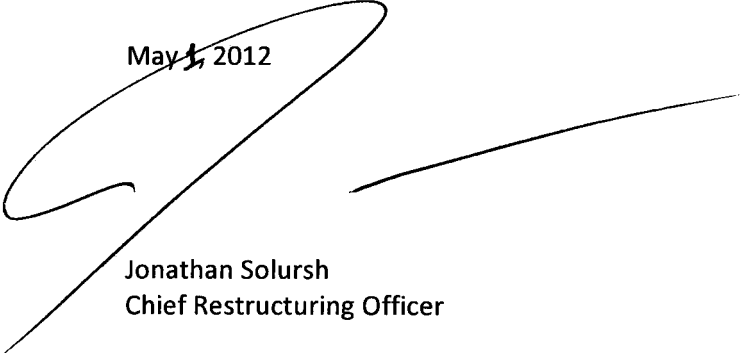
47. By letter dated April 5, 2012, the Office of the Superintendent of Financial Institutions ("OSFI") advised the CRO that it was appointing Aon Hewitt as the Administrator of the Aveos employee pension plans. The CRO is in discussions with OSFI to explore options for the pension plans and determine the disposition of these plans. At this time the CRO's initial view is that a wind up or other similar option is the most viable path for these plans.
48. As previously reported, the Company has unremitted source deductions (employer and employee portions) in the amount of approximately \$2.63 million, plus various unpaid pension payments estimated by Aon Hewitt at \$2.4 million (this amount has neither been verified or accepted by Aveos at this point in time). The CRO has collaborated with the Canada Revenue Agency ("CRA") to agree that claims that represent priorities for source deductions will be "parked" and not paid out of operating cash flow, but rather would be paid once the DP is completed and transaction funds received. This agreement will allow the Company to use its available cash to sustain it throughout the DP.
49. As previously reported, Aveos was a supplier of services to the Department of National Defense ("DND") under a contract to service its CC-150 Polaris aircraft and, as requested by DND, Aveos continued to assist DND with this work for a period of time following the date of the Initial Order. A short-term solution was implemented by transferring oversight of the maintenance work from Aveos to the Canadian Forces. Aveos supported DND by attempting to work with the interested parties to find a long-term solution to the problem; however, it was not feasible to continue this arrangement. Aveos therefore gave notice that it would discontinue providing these services effective April 30, 2012. It now appears that the Canadian Forces will continue to oversee this work, obtaining resources through Air Canada and a third party contractor.
50. On April 25, 2012, Aveos representatives attended at Trenton to inform the employees (18 Aveos employees and the employees seconded from Air Canada) that the work under the contract between Aveos and the DND would cease as of the close of business on April 30. Aveos employees were given letters terminating their employment as of that date. The CRO understands that these Aveos employees will be hired by the third party contractor engaged by the DND, if they choose to be employed.
51. The CRA has advised that it will set off its claim for unremitted GST against the amounts due to Aveos from the DND. The amount of the set off is still being assessed. CRA has also indicated it will set off the source deduction liability against the DND receivable. This setoff will put a strain on the Company's cash flows but at this time it is expected to be manageable, provided that CRA continues to work with Aveos with respect to any future inventory sales, if needed, to support operations.
52. On April 26, 2012, an Order was made to approve the immediate sale of approximately \$600,000 of excess parts inventory.
53. The CRO, in consultation with the Union, is considering releasing certain information that has been requested, including the employee start dates, accrued vacation and other net accrued balances owing as at March 18, 2012. This is intended to assist the Union in helping employees

with calculation of their claims.

VII. CONCLUSION

54. In order to develop and conclude one or more commercially reasonable transactions under the Divestiture Process, the CRO remains convinced that all parties need to be working together. In most cases, the CRO believes there is significant goal congruence among the various parties and is cautiously optimistic that such cooperation will yield desirable results.
55. The CRO is of the view that the continuation of the CCAA Proceedings provides the Company with an opportunity to complete the Divestiture Process, which may lead to the restart of one or more divisions, create employment opportunities for some former Aveos employees and enhance the value to be recovered by the Secured Lenders whose collateral is currently funding the CCAA process.

May 1, 2012



Jonathan Solursh
Chief Restructuring Officer

Appendix A

**Aveos Fleet Performance
Cash Flow Projections**

	4-May	11-May	18-May	25-May	1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	6-Jul	13-Jul	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Cash Receipts												
Cash receipts from AVR	1,167,586	3,285,170	1,676,334	9,281	1,795,845	250,000	868,715	1,399,936	87,309	100,000	100,000	10,740,176
Other	595,000	90,000										685,000
Total Receipts	1,762,586	3,375,170	1,676,334	9,281	1,795,845	250,000	868,715	1,399,936	87,309	100,000	100,000	11,425,176
Cash Disbursements												
Payroll & Benefits	1,259,949	409,723	263,668	410,774	177,668	334,488	150,668	314,488	149,668	314,488	490,714	4,276,297
Operating Expenses	1,595,446	414,477	244,477	244,477	1,048,160	430,160	205,160	205,160	245,160	1,133,160	205,160	5,970,994
Professional Fees	715,307	523,500	487,000	506,500	506,500	506,500	506,500	477,750	477,750	477,750	477,750	5,662,807
Total disbursements	3,570,702	1,347,700	995,145	1,161,751	1,732,328	1,271,148	862,328	997,398	872,578	1,925,398	1,173,624	15,910,098
Change in Cash	(1,808,115)	2,027,469	681,189	(1,152,470)	63,517	(1,021,148)	6,387	402,538	(785,269)	(1,825,398)	(1,073,624)	(4,484,922)
Opening Balance (Book)	6,076,498	4,268,383	6,295,852	6,977,041	5,824,571	5,888,088	4,866,940	4,873,328	5,275,866	4,490,598	2,665,200	6,076,498
Closing Balance (Book)	4,268,383	6,295,852	6,977,041	5,824,571	5,888,088	4,866,940	4,873,328	5,275,866	4,490,598	2,665,200	1,591,576	1,591,576
Outstanding Cheque												
Closing Balance (Bank)	4,268,383	6,295,852	6,977,041	5,824,571	5,888,088	4,866,940	4,873,328	5,275,866	4,490,598	2,665,200	1,591,576	1,591,576

Notes:

- 1 The purpose of this cash flow projection is to determine the liquidity requirements for the Company during the proposed second extension of the CCAA proceedings.
- 2 The cash flow projection is presented on a consolidated basis for Aveos Fleet Performance Inc. and Aero Technical US Inc.
- 3 The cash flow projection is based on the assumption that the Company will operate and run its Divestiture Process in accordance with the Orders of the Court.
- 4 Cash receipts are based on the Company's estimate of collection and future billing activities.
- 5 Includes proceeds from sale of surplus inventory previously approved by the Court.
- 6 Includes payroll and benefits for certain Pre and Post CCAA expenses.
- 7 Includes Rent, Insurance, Security, IT, and other operating expenses
- 8 Professional fees consist of CRO, Monitor, and legal fees and expenses

These projections are based on currently available information and estimates which may or may not prove to be correct. All projections involve risks, variables, and uncertainties. The Company's actual results may differ from the projections. Consequently, no guarantee is presented or implied as to the accuracy of the projections.

Appendix B

**Aveos Fleet Performance
Actual Results to Budget
For the Four Weeks Ended April 27, 2012**

	Budget	Actual	Variance	Note
	(\$)	(\$)	(\$)	
Cash Receipts				
Cash receipts from A/R	4,986,743	4,212,837	(773,906)	A
Proceeds from Divestiture of EMC Division	-	-	-	
Proceeds from Divestiture of CMC Division	-	-	-	
Proceeds from Divestiture of HMC Division	-	-	-	
Other	-	372,653	372,653	B
Total Receipts	4,986,743	4,585,490	(401,253)	
Cash Disbursements				
Payroll & Benefits	7,917,011	7,390,014	(526,997)	C
Operating Expenses	1,642,039	1,052,353	(589,686)	D
Professional Fees	4,071,397	2,853,827	(1,217,570)	E
Loss on F/X	-	79,185	79,185	F
Total disbursements	13,630,448	11,375,379	(2,255,069)	
Change in Cash	(8,643,705)	(6,789,889)	1,853,815	
Opening Balance (Book)	12,866,387	12,866,387	-	
Closing Balance (Book)	4,222,683	6,076,498	1,853,815	
Outstanding Cheque		301,245	301,245	
Closing Balance (Bank)	4,222,683	6,377,743	2,155,060	

Note:

- A** Variance primarily due to timing difference as the collection of certain accounts receivable did not materialize as budgeted.
- B** Variance primarily due to reimbursements of insurance expense from an affiliated company and deposit received from Air Canada in regards to assets retrieval.
- C** Variance primarily due to the offsetting of amounts owed by employees to the Company against their final pay (Pre-CCAA wages). These amounts represent a timing difference and will be repaid during the week of April 30, 2012.
- D** Variance due to timing difference as insurance expense was not yet paid as budgeted, as well as the actual costs for numerous expenses incurred were below budget.
- E** Variance due to timing difference as it was assumed that the account for all professionals would be brought current and paid weekly going forward. The invoices for certain professionals remain outstanding.
- F** The projections assumed that USD and CAD would be at par during the projection period. However, the Company realized a foreign exchange loss when it converted funds from USD to CAD.

Appendix C



Business Opportunity Transport Category Aircraft Maintenance

Aveos Fleet Performance Inc. is a large Canadian airframe, component and engine maintenance repair and overhaul (MRO) facility servicing transport category aircraft including Boeing, Airbus, Bombardier and Embraer aircraft.

Aveos is conducting a divestiture process to divest itself of its three primary lines of business and also sell other assets it considers surplus or redundant.

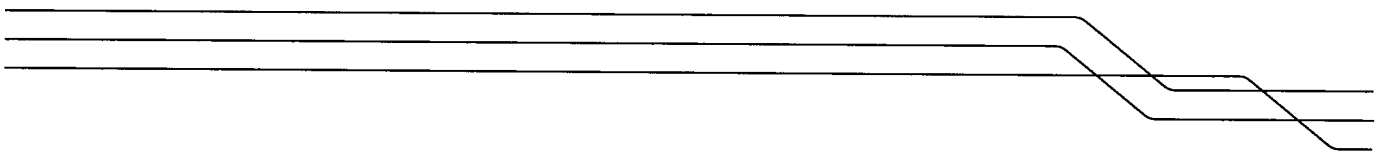
The main lines of business include:

- **Engine Maintenance:** heavy maintenance of CFM56, CF34, JT9 and more
- **Components Maintenance:** avionics and components largely focused on Airbus aircraft
- **Airframe Maintenance:** A320 family, A330, A340, CRJ, ERJ, B777, B767 and more

Plants are located in Montreal, Winnipeg, Toronto and Vancouver. Montreal is a global aerospace center of excellence with a significant customer base and skilled labour pool.

Interested parties are invited to contact the Company at divestiture@aveos.com to obtain information and instructions regarding the Divestiture Process.

This process will run for approximately 60 days leading to the conclusion of one or more transactions.



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Monitor

Roger P. Simard

File: 548732-1

**SECOND REPORT OF THE CHIEF RESTRUCTURING
OFFICER TO THE COURT**



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