CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No: 500-11-042345-120

SUPERIOR COURT
(Commercial Division)
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36)

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

TENTH 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 (as subsequently amended and restated, the "Initial Order") was made by the Honourable Mr. Justice Schrager of the Superior Court of Quebec (Commercial Division) (the "Court"), granting, inter alia, a stay of proceedings against the Petitioners until April 5, 2012 (as subsequently extended by further orders until February 1st, 2013, 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.l. group inc. ("R.e.l."), 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 eighth report on October 19th, 2012 (the "Eighth Report");

b) other matters relevant to the CCAA Proceedings, including the reasons for which the Petitioners require an extension of the Stay Period until June 21, 2013; and

c) the Company's cash flow forecast prepared in support of the request for an extension of the Stay Period.

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. ONGOING ACTIVITIES OF THE CRO

6. The CRO's activities have been focused on completion of the Divestiture Process ("DP") and the transaction with Lockheed Martin Canada ("LMC"). LMC purchased certain assets of Aveos' Engine Maintenance Centre ("EMC") business, including the EMC building (the "LMC Transaction"), as previously reported in the Ninth Report of the Chief Restructuring Officer dated January 7, 2013, and as approved by this Honourable Court. The implementation of the LMC Transaction also encompassed the sale of the EMC equipment and tooling to LMC by Maynards Industries Ltd. ("Maynards") pursuant to the Liquidation Services Agreement between Aveos and Maynards, and certain post-closing transition matters with LMC. In addition, the CRO and his team also continued the administration and management of Aveos' business, as outlined in more detail later in this report.

7. The LMC Transaction was completed on January 15, 2013 in accordance with the Sale Approval and Vesting Order issued by this Honourable Court on January 11, 2013.

8. At the date of the closing of the LMC Transaction, Aveos employed twelve people (including 3 short term contractors). The majority of those employees and contractors were terminated at the time of closing, as required under the terms of the LMC Transaction. At the time of this report, Aveos has five remaining full or part time employees or contract employees assisting with administrative matters and third party assets. The cost of the part time contractors is being reimbursed by the third party asset owners who have an ongoing need for Aveos' assistance. In addition, Aveos has made arrangements for the services of certain former employees who have now transitioned to LMC to assist on a part time basis, as required.

9. In addition to the LMC Transaction, all of the transactions entered into under the DP have now been concluded. Consequently, with the exception of certain accounts receivable, substantially all of Aveos' assets in existence at the date of the Initial Order, plus some assets that were

created post-filing by Aveos, such as the EMC Air Canada contract for engine maintenance services, have been divested.

10. There are miscellaneous remaining assets, which have yet to be realized by Aveos under the direction of the CRO. The aggregate value of these remaining assets is not material and the disposition of the assets will not require Court approval, as the value is well within the threshold permitted under the Initial Order.

III. FINANCIAL INFORMATION AND CASH FLOW

11. The Company's cash flow forecast for the 22 weeks ending June 21, 2013 is attached as Appendix A. The forecast indicates that the Company can continue to fund its ongoing costs during that period. It is anticipated that this will allow for the advancement and wind-up of the initiatives as detailed in this report.

12. Accounts receivable collections for the fourteen weeks ended January 18, 2013 were approximately \$0.6 million, which is approximately \$0.6 million higher than budget. The variance is largely due to the collection of customer accounts previously estimated to be uncollectable. Remaining outstanding items are, for the most part, subject to litigation.

13. With the limited exception of a deposit held in trust by the Company's counsel, proceeds from the transactions completed under the DP and the LMC Transaction have been received by the Company.

14. Attached as Appendix B is the Company's Statement of Receipts and Disbursements ("R&D") for the period October 13, 2012 to January 18, 2013. The R&D shows that the business has generated approximately \$10.9 million in net proceeds, which is approximately \$15.9 million higher than projected. This variance was largely due to the proceeds from the sale of assets from the EMC, the recovery of certain accounts receivable that were previously considered uncollectable, and operating expenses being less than budgeted. The positive variance was partially offset by the distribution to the Secured Lenders referenced in paragraph 17 below and higher than budgeted professional fees and other costs incurred in connection with the LMC Transaction.

15. The ARQ and CRA continue to withhold post-CCAA sales tax refunds based on their position that they are entitled to set off the post-CCAA refunds due against pre-CCAA liabilities. As of the date of this report, the Company estimates that post-CCAA refunds totaling approximately \$1.5 million have been withheld by CRA and ARQ. The Company maintains its position that these set offs should not have been made.

16. ARQ has been conducting an audit with respect to QST and GST on behalf of both ARQ and the CRA. The audit is ongoing but the Company is hopeful that it will be completed by the end of January. As previously reported, Aveos filed a notice of objection with respect to the disallowance of \$4.2 million of pre-CCAA input tax credits. The Company will further evaluate whether additional objections need to be filed based on the outcome of the current audit.

17. On October 10, 2012, the Company filed a Motion with the Court for an Order allowing a partial, interim distribution of proceeds to the Secured Lenders. This interim distribution was approved by Order of this Honourable Court on October 24, 2012 and the distribution in the amount of

US$12.5 million was made on November 30, 2012. On December 12, 2012, the Company filed a Motion for an Order to authorize a second interim distribution of a further US$12.5 million to the Secured Lenders. This Motion is expected to be heard on February 1, 2013. This additional distribution is reflected in the attached cash flow forecast, subject to Court approval.

IV. OPERATIONAL AND RELATED MATTERS

18. As noted above, in conjunction with the closing of the LMC Transaction, substantially all of the remaining Aveos employees transitioned to LMC, save and except for two employees retained by Aveos to assist in human resources and payroll related matters, claims processing and day to day accounting. To the extent that Aveos requires further support as it continues to wind down operations and deal with remaining critical issues, Aveos has made arrangements for ongoing support from certain former employees now employed by LMC. This is provided for pursuant to the Transition Services Agreement dated January 15, 2013 (the "TSA") concluded as between Aveos and LMC, as noted later in this report. The TSA also provides for use of office space and storage of certain property at the EMC until June 30, 2013, or such other date as agreed with LMC, as well as the long-term storage of Aveos records.

19. On November 12, 2012, the Second Order for Directions and Authorizations Pertaining to the Payment of Certain Sums to Employees (the "Second Payroll Order") was issued by this Honourable Court. Pursuant to the Second Payroll Order, the Company paid the remaining priority entitlement of certain employees (i.e. the difference between what was paid to employees subsequent to the Order for Directions and Authorizations Pertaining to the Payment of Certain Sums to Employees issued on April 5, 2012 (the "First Payroll Order") and what the employees would be entitled to receive by virtue of the super priority of up to $2,000 per employee) in the aggregate amount of approximately $400,000 (which included approximately $36,000 directed back to Service Canada with respect to the overpayment of employment insurance benefits). These amounts were paid prior to December 21, 2012.

20. The Second Payroll Order authorized, but did not require, Aveos to pay approximately $3,500 in unpaid overtime due to employees in excess of the 100 hour time bank based on the available payroll data at the time. By way of background, Aveos employees were entitled to "bank" overtime for subsequent payment (either through payroll or by paid leave), up to a maximum of 100 hours. Once the time bank reached the maximum of 100 hours, excess hours would be paid out to the employee on the next payroll. Due to the CCAA filing and the interruption of payroll, this excess time bank amount was not automatically paid out. However, as previously disclosed to the Court, through the process of analyzing this time bank account, Aveos determined that the amount of outstanding overtime in excess of the 100 hour maximum could be closer to approximately $75,000, an amount well in excess of what was previously reported. As this amount is considered material and was not authorized by the Court to be paid, Aveos determined that it should not make any payments with respect to overtime in excess of the time bank. However, to the extent that these amounts are reflected on Aveos' payroll records, Aveos intends to add these amounts to the calculations for any WEPPA claim filed on behalf of the employees, as discussed below, as the Company's payroll records would form the basis for the claims.

21. On January 11, 2013, the Company filed a Motion For Orders and Directions Pertaining to Wage Earners Benefits, which will be heard *pro forma* by the Court on February 1, 2013. This Motion is

designed to be a trigger to allow former Aveos employees to make claims under the Wage Earner Protection Program Act ("WEPPA") for any unpaid amounts that would be recoverable under the WEPPA program, after taking into account payments made under the Air Canada heavy maintenance separation program and the payments made pursuant to the First Payroll Order and the Second Payroll Order. The Motion seeks a lifting of the CCAA stay to permit the appointment of a receiver (the "WEPPA Receiver") for the sole purpose of enabling the former employees to have access to the WEPPA benefits they would be eligible to receive in the event of a subsequent bankruptcy or receivership of Aveos.

22. The WEPPA Motion contemplates that Aveos resources will be made available at assist the WEPPA Receiver in fulfilling its mandate in an efficient way that will balance the various stakeholder interests (i.e. the need to allow former employees to gain access to financial relief pursuant to WEPPA, while also managing the administration costs of processing the claims, which are ultimately being borne by the Secured Lenders).

23. As previously reported, Aveos was in possession of property owned by various customers and certain other third parties, including engines and components. This property has now been returned with the exception of the assets related to the accounts receivable collection and litigation matters referenced below.

24. The CRO and Air Canada have undertaken discussions with the intention of resolving outstanding issues between Air Canada and Aveos. As previously reported, the issues include:

(i) The disposition of approximately $23 million held in the Monitor's counsel's trust account under the terms of the Aveos/Air Canada retrieval agreement, details of which have previously been reported to this Honourable Court;

(ii) Settling of amounts due from and to Air Canada as a result of both pre-filing and post-filing transactions between the parties; and

(iii) Potential claims that may be asserted between Aveos and Air Canada for breach of contract or other damages incurred in the lead up to, or as a result of, the cessation of Aveos' operations.

25. In the Eighth Report, reference was made to the status of supplier 30 day goods claims. At the time, there remained one claim that was still under negotiation. Repeated calls to counsel for this claimant have not been answered over the past few months; accordingly, the CRO considers this claim to be closed. As a result, there are no remaining open 30 day goods claims.

26. As previously reported, the Office of the Superintendent of Financial Institutions ("OSFI") appointed Aon Hewitt ("Aon") as the Administrator of the three Aveos employee pension plans. Aon is in the process of winding up the pension plans. On December 19, 2012, Aon released an actuarial wind-up report for the management employees' defined benefit retirement plan and, on December 20, 2012, released a Standardized Termination Report for the management employees' defined contribution retirement plan. Aon has yet to release a wind-up report for the unionized employees' retirement plan.

27. Aon had indicated in its initial valuation report that the unpaid employer current service costs owed with respect to the plan for Aveos' unionized employees, which represents a super

priority, is approximately $612,000. As previously reported, Aveos engaged Morneau Shepell Ltd. ("Morneau") to perform an independent review of Aon's initial valuation report and provide its opinion as to whether the plan could be in a deficit or a surplus position on wind-up (termination) of the plan. Based on its independent review of Aon's initial valuation report, and the amount of money currently in the plan, Morneau advised that the plan may not be in a deficit position on wind-up and that, if these current service costs were to be paid by Aveos, the plan may in fact be wound-up in a surplus position. Morneau's advice is based, in part, on data set out in the initial valuation report, which is subject to change. Aon has informed the CRO that the data has in fact changed, and that it anticipates issuing a wind-up report for this plan in the coming weeks; however, Aon also noted that the report may be further delayed based on pending information that relates to the period in July 2011 during which employees were transitioned from Air Canada's payroll to Aveos' payroll. Aon has told the CRO that it prefers not to discuss the question of whether there is going to be a surplus or deficit in the plan on wind-up until after it has finalized its wind-up report. The CRO's position is that it would be prudent to await the issuance of Aon's wind-up report prior to Aveos paying the $612,000, as any resulting surplus would be owed to Aveos under the terms of the plan.

28. As noted in the Eighth Report, in addition to the above, there are unpaid special payments owed under the defined benefit plan for non-unionized employees in the amount of approximately $2.8 million. The Department of Justice, acting as legal counsel to OSFI, has taken the position that the special payments are subject to a deemed trust under the *Pension Benefits Standards Act (Canada)* that remains valid under the CCAA and, accordingly, OSFI will apparently be asserting a priority claim for these amounts by way of a Motion to the Court. The Secured Lenders have advised the CRO that they will challenge this claim. The CRO understands that the parties expect to proceed with the Motion to determine the priority question based upon an agreed statement of facts.

29. In March 2012, Aveos asked the Ministry of Labour for a waiver of the requirement to form a joint planning committee under the Canada Labour Code. The request for waiver was denied; however, the Minister of Labour has agreed to reexamine its initial decision that Aveos must establish a joint planning committee. The CRO has been in communication with representatives of the Ministry and the IAMAW and seeks a waiver of this obligation, as Aveos no longer has any resources and personnel to participate in such a committee in a productive manner. In any event, the goals and objectives of such a committee have been attained through the DP process and continuous reporting to the Court and communication of same to the Service List.

V. LITIGATION MATTERS

30. On November 20, 2012, following hearings that took place in September and October 2012, this Honourable Court dismissed the *De Bene Esse* Motion to Strike the *De Bene Esse* Notice by Debtor Company to Disclaim or Resiliate an Agreement that had been filed by Northgatearinso Canada Inc., Aveos' former payroll service provider, with costs awarded to Aveos.

31. As noted in the Eighth Report, Aveos had commenced an action against Vision Airlines, Inc. ("Vision") in the state of New York in June, 2011. Aveos' motion seeking summary judgment against Vision is still under advisement with the court in the New York proceedings. Aveos is safeguarding the Vision assets pending resolution of this litigation.

32. With respect to the litigation with JetLink Express Ltd. ("JetLink") and Mexican CRJ Limited ("MCRJ"), which was also discussed in the Eighth Report, Aveos has enforced the judgment it obtained against JetLink by executing a Writ of Seizure with respect to one of the two engines being retained by Aveos. In October 2012, a bailiff attended at the EMC building and seized the engine, leaving it in the custody, care and control of a guardian. Aveos has begun the process of finding a purchaser for this engine and expects to proceed with a bailiff sale. The action continues against MCRJ. As in the case of the Vision assets, the engines are safeguarded pending resolution of these matters.

33. Aveos filed a Motion against Canadian North Inc. ("CDNN") to collect amounts owed by CDNN to Aveos. On December 18, 2012, Aveos' legal counsel conducted an examination of the President of CDNN. On January 17, 2013, Aveos' counsel served a new Notice of Presentation with respect to the Motion returnable on February 1, 2013. Aveos has taken steps to secure certain CDDN aircraft records that it holds through the arrangements under the TSA, pending the outcome of the Motion.

VI. OTHER ONGOING MATTERS

34. Other material items that the CRO and the Company continue to work on include, but are not limited to the following:

   a) Ensuring that employee T4s and other tax documents will be produced at the appropriate time, for both 2012 and 2013;

   b) Preparing for an employee claims process with respect to WEPPA, as discussed in paragraphs 21-22 above, and working with both legal counsel for the IAMAW and Service Canada with respect to the process for preparation and verification of the employees' potential WEPPA claims, in the event that this Honourable Court should grant the relief requested in the WEPPA Motion. Aveos has retained an employee who will be dedicated to working on this claims process;

   c) Investigating if there is an opportunity to enter into a transaction to monetize the Company's tax losses;

   d) Continued support of ongoing litigation matters, as described in Paragraphs 31-33 above;

   e) Effecting the anticipated second interim distribution to Secured Lenders, if authorized by this Honourable Court pursuant to the Motion filed on December 14, 2012. In conjunction with this interim distribution, it is also anticipated that, with the consent of the Secured Lenders, provision will be made for payment of an additional amount to R.e.l. pursuant to the terms of its amended engagement letter, as previously approved by the Secured Lenders.

   f) It is anticipated that, barring unforeseen circumstances, Aveos will apply to the Court for authorization to effect subsequent distributions to the Secured Lenders over the course of the coming months. By making several smaller distributions over an extended time period, each with appropriate advance notice to the service list, the CRO is of the view that this will allow any alleged priority claimants and/or creditors asserting post-filing claims who have not yet come forward to have the opportunity to do so. Once these claims have been identified, the need for a formal post-filing claims process can be addressed in the context of a final distribution;

g) Finalizing the disposition of the remaining unsold Aveos assets referenced earlier in this Report;

h) Pursuing the collection of remaining amounts due to Aveos, including a credit from the Commission de la santé et de la sécurité du travail, amounts recoverable under letters of credit and amounts owed by Aveos customers;

i) Completing arrangements for the wind down of Aveos' IT infrastructure, including appropriate back-up and storage of electronic data; and

j) Maintaining and updating accounting records as appropriate and resolving the various issues with respect to the claims of the CRA and ARQ.

35. The Company's directors and officers liability insurance coverage was extended for an additional year in April 2012 and will expire at 12:00 a.m. on May 1, 2013. Aveos has reported to the insurers circumstances that could give rise to a claim, as provided under the policies, including with respect to employee and tax claims. Aveos was advised by the insurers that, if a claim does materialize against a director or an officer based on the circumstances reported during the policy term, the claim shall be considered to have been made during the policy period when the circumstances were reported. In view of this and the costs of coverage, the CRO has determined that Aveos will not renew or extend the directors and officers liability insurance policy at the end of the current term. The Company has also not triggered any tail coverage on the policy; however, this is available to the former directors should they choose to invoke it.

V. CONCLUSIONS

36. The CRO is of the view that the continuation of the CCAA Proceedings and the extension of the Stay Period until June 21, 2013, as requested by the Company, will hopefully provide Aveos with the opportunity to complete the initiatives described in this Report. The CRO believe that it is most efficient to continue these proceedings with the objective to efficiently manage overall costs, enhance the value to be recovered by the Secured Lenders and advance the interests of other stakeholders to the greatest extent possible.

January 23, 2013

Jonathan Solursh
Chief Restructuring Officer

Appendix A

Aveos Fleet Performance
Cash Flow Projections

		25-Jan ($'000)	1-Feb ($'000)	8-Feb ($'000)	15-Feb ($'000)	22-Feb ($'000)	1-Mar ($'000)	8-Mar ($'000)	15-Mar ($'000)	22-Mar ($'000)	29-Mar ($'000)
Cash Receipts											
Proceeds from Sale of Other Assets	Note 4	-	25	-	25	-	25	-	25	-	-
Other	Note 5	-	26	-	-	-	10	-	-	-	-
Total Receipts		-	51	-	25	-	35	-	25	-	-
Cash Disbursements											
Payroll & Benefits		40	11	24	32	23	22	22	11	22	21
Operating Expenses	Note 6	60	60	66	60	60	60	61	55	53	53
Professional Fees	Note 7	322	252	179	144	115	115	115	115	115	81
Super Priority Payments	Note 8	-	-	-	-	-	-	-	612	-	-
Loss on F/X		-	-	-	-	-	-	-	-	-	-
Distribution to Secured Creditors	Note 9	-	-	-	43	12,500	-	-	-	-	-
Sales taxes	Note 10	-	-	-	-	-	300	-	-	-	-
Total disbursements		422	323	268	278	12,698	497	198	793	190	154
Change in Cash		(422)	(272)	(268)	(253)	(12,698)	(462)	(198)	(768)	(190)	(154)
Opening Balance (Book)		59,881	59,458	59,186	58,918	58,665	45,967	45,505	45,307	44,540	44,350
Closing Balance (Book)		59,458	59,186	58,918	58,665	45,967	45,505	45,307	44,540	44,350	44,196

	5-Apr ($'000)	12-Apr ($'000)	19-Apr ($'000)	26-Apr ($'000)	3-May ($'000)	10-May ($'000)	17-May ($'000)	24-May ($'000)	31-May ($'000)	7-Jun ($'000)	14-Jun ($'000)	21-Jun ($'000)	Total ($'000)
Cash Receipts													
Proceeds from Sale of Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	100
Other	10	-	-	-	-	-	-	-	-	-	-	-	46
Total Receipts	10	-	-	-	-	-	-	-	-	-	-	-	146
Cash Disbursements													
Payroll & Benefits	23	11	28	11	40	11	24	6	30	6	19	11	442
Operating Expenses	53	58	53	53	53	53	58	53	53	53	53	58	1,232
Professional Fees	74	74	55	55	55	50	50	50	50	50	209	209	2,534
Super Priority Payments	-	-	-	-	-	-	-	-	-	-	-	-	612
Loss on F/X	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to Secured Creditors	-	-	-	-	-	-	-	-	-	-	-	-	12,543
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	300
Total disbursements	150	142	136	118	148	113	131	108	132	108	280	277	17,663
Change in Cash	(140)	(142)	(136)	(118)	(148)	(113)	(131)	(108)	(132)	(108)	(280)	(277)	(17,517)
Opening Balance (Book)	44,196	44,056	43,914	43,778	43,659	43,512	43,399	43,268	43,160	43,028	42,921	42,640	59,881
Closing Balance (Book)	44,056	43,914	43,778	43,659	43,512	43,399	43,268	43,160	43,028	42,921	42,640	42,363	42,363

Notes:

1 The purpose of this cash flow projection is to determine the liquidity requirements for the Company during the proposed 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 in accordance with the Orders of the Court.
4 Based on estimated realizations from miscellaneous asset sales.
5 Includes miscellaneous recoveries from various sources, excluding amounts relating to any settlement with Air Canada, collections from litigation matters or other miscellaneous receivables that are being pursued.
6 Includes IT and other operating expenses.
7 Professional fees consist of CRO, Monitor and legal fees and expenses.
8 Payment relating to pension contributions.
9 Includes a residual payment from the prior Court approved distribution to the Secured Lenders. Additional distribution is subject to approval by the Court.
10 Remittance of sales taxes in the normal course.

Appendix B

Aveos Fleet Performance
Actual Results to Budget

	Note	For the 14 Weeks Ended Jan 18 Budget	Actual	Variance	Cumulative for the 43 weeks ended Jan 18 Actual
		($)	($)	($)	($)
Cash Receipts					
Cash receipts from A/R	A	-	580	580	22,948
Proceeds from Sale of Assets	B	1,300	26,733	25,433	73,621
Other	C	-	247	247	2,915
Total Receipts		1,300	27,560	26,260	99,484
Cash Disbursements					
Payroll & Benefits	D	850	931	81	14,410
Operating Expenses	E	2,476	670	(1,806)	10,188
Professional Fees	F	1,882	2,471	589	13,038
Sales Taxes		-	-	-	210
(Gain)/Loss on F/X	G	-	(393)	(393)	(442)
Super Priority Payments	H	1,012	428	(584)	3,045
Net Distribution to Secured Lender	I		12,500	12,500	12,500
Total disbursements		6,220	16,607	10,387	52,949
Change in Cash		(4,920)	10,953	15,873	46,535
Opening Balance (Book)		48,928	48,928	-	13,346
Closing Balance (Book)		44,008	59,881	15,873	59,881
Outstanding Cheque		-	329	329	329
Closing Balance (Bank)		44,008	60,210	16,202	60,210

Notes on variances due to:

- A Collection of certain accounts receivable not budgeted to be collected.
- B Proceeds from the sale of assets from the EMC division.
- C Interest income and recovery from miscellaneous sources.
- D Higher than budgeted payroll requirement to support the divestiture process.
- E Certain costs such as site cleanup and general operating and maintenance expenses that did not materialize as budgeted.
- F Higher professional fees incurred as a result of the longer than anticipated divestiture process as well as various unplanned litigation.
- G Foreign exchange gain resulting from conversion of CAD to USD.
- H Non payment of certain pension contributions as previousy budgeted.
- I Distribution to the Secured Lenders as previously approved by the Court but not in the projections. Includes amounts paid pursuant to a direction of payment received from the Secured Lenders for an additional payment to R.e.l group inc. and payment of certain legal fees incurred by the Secured Lenders.

No. 500-11-042345-120

SUPERIOR COURT
Commercial Division
DISTRICT OF MONTRÉAL

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Monitor

Roger P. Simard **File: 548731-1**

TENTH REPORT OF THE CHIEF RESTRUCTURING OFFICER TO THE COURT

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