

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

THIRTEENTH 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 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 (as subsequently extended by further orders until November 22nd, 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.I. group inc. ("R.e.I."), the "CRO").
3. The purpose of this report is to:

- a) Inform the Court of certain ongoing activities of the CRO since the date of his Twelfth Report dated August 6, 2013; and
- b) Provide additional information in support of the Company's pending Motion requesting authorization to make a further interim distribution to the Third Party Secured Lenders in the amount of US\$18.0 million.

A more detailed discussion of the CRO's activities together with a more comprehensive update will be provided in a future CRO report.

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 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 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

6. The CRO is pleased to report that all substantial matters with respect to the Company's ongoing business relationship with Air Canada have now been resolved and a comprehensive settlement agreement was entered into on September 10, 2013. The settlement included, among other things, resolution of the claims to the funds which had been paid to the Monitor's counsel in trust to secure the release of Air Canada property under the terms of the Retrieval Agreement dated April 5, 2012 and various supplements as well as payment or release of other amounts claimed by Aveos. On September 11, 2013, Aveos received its share of the proceeds and other amounts due in accordance with the terms of the settlement agreement.
7. On August 8, 2013, a settlement was reached between Aveos and Canadian North, whereby Canadian North agreed to pay Aveos an agreed amount in satisfaction of the account receivable balance due to Aveos, payable in three equal instalments on each of August 9, August 30 and September 30, 2013. Canadian North has made all three payments and, apart from completing the logistics relating to the recovery of certain records from Aveos, this matter has been concluded.

III. FINANCIAL INFORMATION AND CASH FLOW

8. The Company's updated cash flow forecast for the 10 weeks ending November 22, 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 completion of the various initiatives that are in process and have been previously reported to the Court. As is customary in Aveos' cash flows, so as to avoid any potential prejudice in future

negotiations with counterparties, no projections for future receipts (other than for settled items) are included.

9. Attached as Appendix B is the Company's Statement of Receipts and Disbursements ("R&D") for the period June 8, 2013 to September 13, 2013. The R&D shows that the business had net disbursements of approximately \$26.7 million during that period, including the second interim distribution to the Secured Lenders in the amount of US\$25.0 million, which was approved pursuant to the Order made by this Honourable Court on June 26, 2013. This net amount is approximately \$476,000 better than projected. This variance was largely due to payroll and operating expenses being approximately \$356,000 less than projected (due mostly to overall file efficiencies and reduced requirements for employee time) and professional fees being approximately \$404,000 less than expected (partly due to settling the Canadian North matter). These positive variances were partially offset by an unfavourable variance on foreign exchange of approximately \$284,000. It should be noted that, while the foreign exchange swings have been both positive and negative over the duration of this proceeding, on a cumulative basis Aveos is ahead by approximately \$158,000.

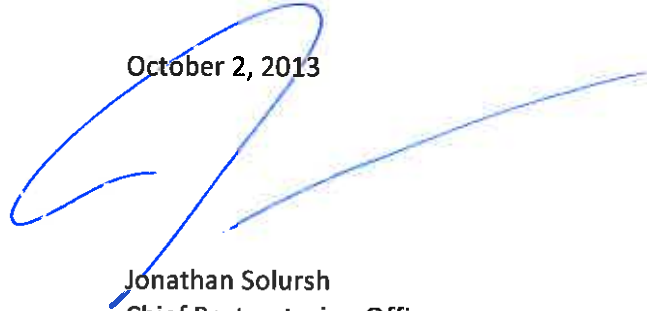
IV. PROPOSED DISTRIBUTION TO THE SECURED LENDERS

10. On May 9, 2013, the Company filed a Motion with the Court for an Order authorizing a third interim distribution of proceeds to the Third Party Secured Lenders. This interim distribution was approved by Order of this Honourable Court on June 26, 2013 and the distribution in the amount of US\$25.0 million was made on July 18, 2013. On September 26, 2013, the Company filed a Motion for an Order to authorize a fourth interim distribution of US\$18.0 million to the Third Party Secured Lenders. The CRO has obtained an updated statement of account from the Agent for the Third Party Secured Lenders which indicates that, after taking into account the payment made by a guarantor as described in the CRO's Twelfth Report, the remaining indebtedness owed to the Third Party Secured Lenders (after taking into account interest and costs and allowing a credit for the guarantee payment, but without taking into account the subrogation rights of the guarantor) is still well in excess of the remaining proceeds anticipated to be available.
11. The proposed additional distribution is reflected in the attached cash flow forecast, subject to Court approval. The CRO notes that, if the distribution is made, Aveos will continue to have sufficient cash on hand to satisfy all charges in the Initial Order, the \$2.8 million that is subject to the priority dispute between the Third Party Secured Lenders and OSFI (as discussed in the CRO's Eleventh Report dated June 19, 2013), as well as other obligations and projected costs as reflected in the cash flow forecast.

III. CONCLUSIONS

12. The CRO requests that an Order be granted to approve the proposed fourth interim distribution to the Agent for the Third Party Secured Lenders in the amount of US\$18.0 million.

October 2, 2013



Jonathan Solursh
Chief Restructuring Officer

Appendix A

Aveos Fleet Performance Cash Flow Projections For the Period September 14 to November 22, 2013

	Sep 20	Sep 27	Oct 4	Oct 11	Oct 18	Oct 25	Nov 1	Nov 8	Nov 15	Nov 22	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cash Receipts											
Proceeds from Sale of Other Assets	-	-	-	-	-	-	-	-	-	-	-
Return of Retrieval Security Deposit	(100)	-	-	-	-	-	-	-	-	-	(100)
Other	-	328	-	-	-	-	-	-	-	-	328
Total Receipts	(100)	328	-	-	-	-	-	-	-	-	228
Cash Disbursements											
Payroll & Benefits	19	11	19	11	19	15	64	20	20	20	218
Operating Expenses	15	35	15	15	15	15	20	15	15	15	175
Professional Fees	95	124	89	89	248	241	276	115	115	115	1,507
Distribution to Secured Lenders	-	-	-	-	-	-	-	-	18,000	-	18,000
Total Disbursements	129	170	123	115	282	271	360	150	18,150	150	19,900
Change In Cash	(229)	158	(123)	(115)	(282)	(271)	(360)	(150)	(18,150)	(150)	(19,672)
Opening Balance (Book)	30,633	30,404	30,562	30,439	30,324	30,042	29,771	29,411	29,261	11,111	30,633
Closing Balance (Book)	30,404	30,562	30,439	30,324	30,042	29,771	29,411	29,261	11,111	10,961	10,961

Notes:

- 1 The purpose of this cash flow projection is to determine the liquidity requirements for the Company during the current 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 The cash balance includes both US and Canadian dollar amounts. The US dollar is assumed to be at par with the Canadian dollar.
- 5 Any additional asset sales will be negotiated and, therefore, have not been projected.
- 6 Certain further realizations are subject to ongoing negotiations. Since the outcome of these negotiations is uncertain, only settled realizations have been projected.
- 7 Includes IT and other operating expenses.
- 8 Professional fees consist of CRO, Monitor and legal fees and expenses.
- 9 Distribution is subject to approval by the Court. Any additional distributions which may be made, subject to Court approval, are not reflected in this projection.

Appendix B

Aveos Fleet Performance Statement of Receipts and Disbursements

Note	For the 14 Weeks Ended September 13, 2013			Cumulative for the 77 weeks Ended September 13, 2013 Actual (\$'000)
	Budget (\$'000)	Actual (\$'000)	Variance (\$'000)	
Cash Receipts				
		690	690	23,637
A		136	136	74,018
B		13,028	13,028	16,193
		13,854	13,854	113,848
Cash Disbursements				
	226	179	(47)	14,897
C	365	56	(309)	10,327
D				542
E	1,539	1,135	(404)	16,157
				210
		284	284	(158)
				4,560
F	25,000	25,000		50,043
	27,130	26,654	(476)	96,578
	(27,130)	(12,800)	14,330	17,270
Change in Cash				
	43,416	43,416	-	13,346
Opening Balance (Book)				
	16,286	30,616	14,330	30,616
		17	17	17
Closing Balance (Bank)				
	16,286	30,633	14,347	30,633

Notes on variances due to:

- A Proceeds from the sale of miscellaneous assets outside of the divestiture process.
- B Various settlements, interest income and recoveries from miscellaneous sources.
- C Lower than budgeted payroll requirement to support the divestiture process.
- D Certain general operating expenses did not materialize as budgeted.
- E Professional fees incurred were less than budget.
- F Distribution to the Secured Lenders as previously approved by the Court.

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Monitor

Me Roger P. Simard/ Our file: 548732-001

THIRTEENTH REPORT OF THE CHIEF
RESTRUCTURING OFFICER TO THE COURT

ORIGINAL

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