Court File No. CV-10-8647-00CL

Skyservice Airlines Inc.

NINTH REPORT OF THE RECEIVER

May 11, 2011

Court File No. CV-10-8647-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC.

Between

THOMAS COOK CANADA INC.

Applicant

- and -

SKYSERVICE AIRLINES INC.

Respondent

NINTH REPORT TO THE COURT SUBMITTED BY FTI CONSULTING CANADA INC. IN ITS CAPACITY AS RECEIVER

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I. INTRODUCTION

1. On March 31, 2010, FTI Consulting Canada Inc. was appointed as receiver (the "**Receiver**") of all of the assets, undertakings and properties of Skyservice Airlines Inc. ("**Skyservice**") pursuant to the order of the Honourable Justice Gans (the "**Receivership Order**") granted pursuant to section 243(1) of the *Bankruptcy and Insolvency Act (Canada)* and section 101 of the *Courts of Justice Act (Ontario)*.

2. The purpose of this, the Receiver's Ninth Report, is to provide the Court with information in support of a motion by the Receiver in respect of a dispute over the entitlement to certain escrow funds. The circumstances of the motion, and the relief sought, are as follows:

   (a) In 2007, Skyservice was acquired by its present shareholder through an acquisition entity. As part of that transaction, a portion of the purchase price was put in escrow, to be released either to the vendor (Skyservice's former shareholders) if the EBITDA performance of a certain line of business post-closing exceeded certain thresholds, or returned to the acquisition entity (which, through a series of amalgamations, has become Skyservice) if it did not.

   (b) Prior to the Receivership Order, a dispute had arisen between Skyservice and the former shareholders as to whether the threshold in question had been met, and as a result whether the escrowed funds should be paid to Skyservice or to the former shareholders.

   (c) The Receiver now wishes to pursue this claim on behalf of Skyservice.

   (d) The Receiver's position is that under the Arrangement Agreement (as defined below) the relevant EBITDA performance, which governs the entitlement to the escrowed funds, is to be determined based on a review

performed by Skyservice's auditor (KPMG LLP ("**KPMG**")) of internally prepared financial statements, with KPMG's determination being "final and binding". The former shareholders disagree with this interpretation of the Arrangement Agreement. Accordingly, the Receiver's motion asks this Honourable Court to interpret the relevant provisions of the Arrangement Agreement.

(e) KPMG has prepared a report on the applicable EBITDA, but KPMG is not prepared to issue the report until the Receiver, on behalf of Skyservice, and the former shareholders execute certain "release letters" protecting KPMG from liability arising from the KPMG report. The former shareholders have refused to do so.

(f) If the Receiver's interpretation of the Arrangement Agreement is correct, the KPMG report is determinative of the dispute. Even if the Receiver's interpretation is not correct, having the KPMG report will assist in narrowing and clarifying the issues. Accordingly, the Receiver also seeks an order protecting KPMG from liability arising from the KPMG report.

II. TERMS OF REFERENCE

6. In preparing this report, the Receiver has relied upon unaudited financial information of Skyservice, Skyservice's books and records, certain financial information prepared by Skyservice and discussions with Skyservice's employees. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information except as specifically set out herein. Accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation.

7. All monetary amounts contained herein are expressed in Canadian dollars.

III. THE EBITDA ESCROW AMOUNT DISPUTE

1. BACKGROUND

9. In 2007, a predecessor of Skyservice was acquired from its then-shareholders (the "Former Shareholders") by a wholly-owned subsidiary of Gibralt Capital Corporation incorporated for this purpose ("AcquisitionCo"). The transaction proceeded by way of a plan of arrangement, and was governed by an arrangement agreement dated as of August 14, 2007 (the "**Arrangement Agreement**"). A copy of the Arrangement Agreement is at Appendix A.

10. Immediately following the acquisition, through a series of amalgamations involving AcquisitionCo and other predecessors of Skyservice, the current Skyservice was formed. As a result, Skyservice has become entitled to the rights of AcquisitionCo under the Arrangement Agreement.

11. Pursuant to section 2.11 of the Arrangement Agreement, a portion of the purchase price was paid into escrow upon closing. The escrow is governed by an escrow agreement among Skyservice Investments Inc., Ronald Patmore and others made as of October 19, 2007 (the "**Escrow Agreement**"). A copy of the Escrow Agreement is at Appendix B.

12. Several disputes have arisen in respect of the escrowed amounts. The one at issue in this motion relates to section 2.11(e)(vi) of the Arrangement Agreement (the "**EBITDA Escrow Amount**").

13. Section 2.11(e)(vi) provides as follows (with the key provisions emphasized]:

> "Notwithstanding anything to the contrary in the foregoing, *in the event that the TO's [Conquest Vacations'] programs for the period November 1, 2007 to April 30, 2008 have contributed a minimum of $2,000,000 to EBITDA for such period the Escrow Agent shall release and pay, in addition to and at the same time as the First EBITDA Amount, the Second EBITDA Amount to the Shareholders*, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholder. If (A) all of Amalco's [Skyservice's] operations for the period November 1, 2007 to April 30, 2008,

in the aggregate, have contributed $1,000,000 or more in excess of Amalco's budgeted total EBITDA in the amount to be determined by the Parties for the said period, or (B) Amalco's actual total EBITDA for the period November 1, 2007 to October 31, 2008 exceeds the budgeted total EBITDA determined by the Parties for the same period by $1,000,000, the Escrow Agent shall release and pay the Second EBITDA Amount (but not the First EBITDA Amount) to the Shareholders, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholders. All calculations pursuant to this clause (vi) shall be determined in accordance with the foregoing clauses of this Section 2.11(e)". [Emphasis added.]

Pursuant to Section 2.11(e)(viii)(II), if the Second EBITDA Amount is not payable to the Former Shareholders, it is payable to Skyservice.

2. EVENTS IN 2009: THE DISPUTE OVER THE EBITDA ESCROW AMOUNT CRYSTALLIZES

14. On March 2, 2009, Julie Rosenthal of Goodmans LLP, counsel for the Former Shareholders, wrote to Skyservice requesting release of the Second EBITDA Amount (as defined in the Arrangement Agreement) on the basis that one or more of the conditions in section 2.11(e)(vi) had been met. A copy of this correspondence is at Appendix C.

15. On March 5, 2009, Skyservice responded that the amount contributed to Skyservice's EBITDA for the period November 1, 2007 to April 30, 2008 by Conquest Vacations (the relevant tour operator or "**TO**" under the Arrangement Agreement) was only $1,930,941 – in other words, short of the $2,000,000 threshold. A copy of this correspondence is at Appendix D.

16. On April 2, 2009, Ms. Rosenthal requested financial statements of Skyservice in order to verify Skyservice's assertions. Skyservice responded on April 28, 2009. Copies of this correspondence are at Appendices E and F.

17. On May 4, 2009, Skyservice provided notice to the escrow agent Legacy Private Trust that the threshold set out in section 2.11(e)(vi) had not been met. A copy of this correspondence is at Appendix G.

3. THE KPMG REPORT

18. Also on May 6, 2009, Ms. Rosenthal wrote to Skyservice to request Skyservice's audited financial statements for the years ended April 30, 2008 and April 30, 2009 segmented to show Conquest Vacations' contributions to Skyservice's EBITDA (which she termed items 1 and 2), or "if #1 and/or #2 [the requested audited financial statements] are not available because Airlines [Skyservice] has changed its financial year-end, then internally generated financial statements for the periods November 1, 2007 to April 30 2008, and May 1, 2008 to April 30, 2009, segmented to show Conquest Vacations' contribution to Airlines EDITDA, which have been reviewed by Airlines' auditors". A copy of this correspondence is at Appendix H.

19. It was in fact the case that Skyservice had changed its financial year-end and the requested audited financial statements were not available. Accordingly, the parties started to negotiate the basis on which internally generated financial statements would be reviewed by Skyservice's auditors, KPMG.

20. On May 8, 2009, Lorne Silver of Cassels Brock & Blackwell LLP, then counsel for Skyservice, wrote to Ms. Rosenthal to advise that Skyservice "accepts that the Arrangement Agreement provides that the internally generated financial statements to be provided are to be reviewed by our client's auditor". A copy of this correspondence is at Appendix I.

21. On May 28, 2009, KPMG forwarded to Skyservice a number of questions about how the Conquest EBITDA engagement should be undertaken. On June 2, 2009, Mr. Silver forwarded these questions to Ms. Rosenthal and requested comments from her on behalf of the Former Shareholders. A copy of the relevant e-mail chain is at Appendix J.

22. On June 15, 2009, KPMG provided a draft engagement letter. Appendix A to the draft engagement letter was entitled "Conquest EBITDA Agreed Upon Procedures" and set out the procedures that KPMG would undertake pursuant to the engagement, the time period that would be covered and the materiality level. A copy of the draft engagement letter is at Appendix K.

23. On June 16, 2009, KPMG provided more specifics of what would be required to complete the review. The specifics were set out in a Word version of Appendix A to the draft engagement letter which had been expanded to include the specifics. Copies of this document and its covering e-mail are at Appendix L.

24. On June 18, 2009, Mr. Silver forwarded the draft engagement letter to Ms. Rosenthal. On June 22, 2009, Ms. Rosenthal advised that the draft engagement letter was still being reviewed and that she expected some substantive comments. She requested confirmation that no work would start until the Former Shareholders had "signed off on the terms of the engagement". Mr. Silver responded that no work had started. A copy of the relevant e-mail chain is at Appendix M.

25. On June 26, 2009, Ms. Rosenthal forwarded the Former Shareholders' mark up of the draft engagement letter. The mark up included extensive changes to Appendix A of the draft engagement letter, the "Conquest EBITDA Agreed Upon Procedures". Copies of the mark up and its covering e-mail are at Appendix N.

26. The Former Shareholders' requested changes were substantially incorporated into a revised draft engagement letter, which was dated August 25, 2009. A copy of the August 25, 2009 version of the engagement letter is at Appendix O.

27. On the basis of the August 25, 2009 version of the engagement letter, KPMG proceeded with a review of Skyservice's EBITDA derived from Skyservice's program with Conquest Vacations for the period November 1, 2007 to April 30,

2008 (among other things). KPMG has prepared a report (the "**KPMG Report**") to summarize its findings.

28. Despite having agreed on the basis for KPMG's review, upon learning of KPMG's conclusions (which would see the disputed escrow amounts paid to Skyservice, not the Former Shareholders) the Former Shareholders took a different position. On October 15, 2009, the Former Shareholders wrote to Skyservice to request a meeting "to agree to act reasonably to determine together the applicable EBITDA". A copy of this correspondence is at Appendix P.

29. On October 16, 2009, Skyservice disagreed with the Former Shareholders' understanding of the governing process and asked the Former Shareholders to execute certain documentation requested by KMPG for release of the KPMG Report. A copy of this correspondence is attached as Appendix Q.

30. On October 21, 2009, the Former Shareholders refused to execute the KPMG documentation. A copy of this correspondence is at Appendix R.

4. THE EBITDA ESCROW AMOUNT CONTINUES TO BE HELD IN ESCROW

31. On November 12, 2009, in response to correspondence from counsel for the Former Shareholders, Legacy Private Trust confirmed that the disputed escrowed funds will not be released until there is joint written direction from all the parties or a court order. A copy of this correspondence is at Appendix S. Since no such written direction has been given and no court order has been obtained, the EBITDA Escrow Amount continues to be held by Legacy Private Trust.

5. EVENTS SINCE THE RECEIVERSHIP ORDER

32. After the Receivership Order, the Receiver reviewed the issue of whether to pursue the EBITDA Escrow Amount (as well as several other disputed escrow amounts, which are not at issue in this motion). The Receiver concluded that it is in the best interests of the estate and the creditors of Skyservice to pursue recovery of the disputed amounts, including the EBITDA Escrow Amount.

33. The Receiver therefore approached KPMG and requested that it release the KPMG Report for use in resolving the dispute with the Former Shareholders. KPMG advised that it was not prepared to do so without a signed engagement letter from the Receiver and without signed release letters from the Former Shareholders. The letters are intended by KPMG to protect them from exposure to claims in respect of their work.

34. The Receiver and KPMG have agreed on the terms of an engagement letter and release, and the Receiver is prepared to sign such documentation, leaving only the issue of liability protection for KPMG in the way of a release of the KPMG Report.

35. On January 24, 2011, the Receiver's Counsel advised Ms. Rosenthal by e-mail of KPMG's position, forwarded to her the release letters provided by KPMG, and asked that the Former Shareholders sign them. A copy of this e-mail is at Appendix T.

36. This was followed by an exchange of e-mails between Ms. Rosenthal and Geoff R. Hall of McCarthy Tétrault LLP, counsel for the Receiver, clarifying the request and the basis for it. A copy of the relevant e-mail chain, showing several e-mails between January 24, 2011 and February 28, 2011, is at Appendix U.

37. On March 14, 2011, Ms. Rosenthal advised by e-mail that the Former Shareholders are not prepared to execute the release letters. A copy of this e-mail is at Appendix V.

6. THE RECEIVER'S LEGAL POSITION

38. The Receiver's position is that, based on the terms of the Arrangement Agreement, the KPMG Report is binding and determinative of the EBIDTA Escrow Amount. This is the result of section 2.11(e)(viii) of the Arrangement Agreement:

> "If Amalco sends a First EBIDTA Notice Letter and/or a Second EBITDA Notice Letter, the following provisions shall apply:
>
> I. the parties agree that the applicable EBITDA contributed by the TO's [Conquest Vacations'] programs for the applicable period *shall be determined* based on the audited financial statements of Amalco for such period (excluding interest earned on cash balances as provided in clause (vii) above). If the financial year of Amalco [Skyservice] does not end on April 30th, then the parties agree, acting reasonably, to determine the applicable EBITDA on the basis of internally generated financial statements for the applicable periods and which are reviewed by Amalco's auditors. *Such determinations shall be final and binding on the Parties.*" [Emphasis added.]

The Receiver takes the position that the applicable principles of contractual interpretation require that meaning be given to all contractual language. The only way to give meaning to the emphasized words is to conclude that the parties intended the KPMG Report to be final and binding on them. They did not intend that the numbers would have to be mutually agreed upon, failing which they would be litigated and the court would make a finding between competing expert evidence as to what the correct EBIDTA figure is. In such event, the KPMG Report would serve no purpose, and the emphasized words would have no meaning. Moreover, the interpretation of the Arrangement Agreement that the Former Shareholders now put forward is inconsistent with their own conduct in 2009 until they learned that the KPMG Report would not be favourable to their position. Mr. Hall set out the Receiver's legal position to Ms. Rosenthal in an e-mail dated February 28, 2011 (included within Appendix U).

7. REASONABLENESS OF KPMG'S POSITION AND IMPRACTICABILITY OF RETAINING ANYONE ELSE

39. The Receiver is of the view that KPMG's request for protection against claims by the Receiver and the Former Shareholders is a reasonable one given the nature and scope of KPMG's engagement.

40. The Receiver believes that any other independent accountant engaged to undertake the work would likely require the same protections that KPMG is seeking.

41. However, engaging someone else is not practical. Doing so would require another accountant to undertake the work that KPMG has already completed, which would be an unwarranted and inefficient duplication of efforts. Given the passage of time and the dispersal of Skyservice's employees, it would be an extremely costly, time consuming and difficult endeavour for anyone other than KPMG to compile the information needed to undertake the analysis in question.

8. RELIEF REQUESTED

42. Accordingly:

(a) The Receiver requests an interpretation of section 2.11(e)(viii) of the Arrangement Agreement to determine whether (i) the KPMG Report, when issued, will provide a final and binding determination of entitlement to the EBITDA Escrow Amount; or (ii) the issue of what the EBITDA was for Conquest Vacations over the applicable time period will have to be determined in litigation on the basis of competing expert evidence adduced by the parties.

(b) Regardless of the outcome of the interpretation issue, the Receiver requests an order that no claim can be brought against KPMG if the KPMG Report is released.

The Receiver respectfully submits to the Court this, its Ninth Report.

Dated this 11th day of May, 2011.

FTI Consulting Canada Inc.
in its capacity as receiver of
Skyservice Airlines Inc.
and not in its personal or corporate capacity

Nigel D. Meakin
Senior Managing Director

Jamie T. Engen
Managing Director

10213880 v

DATED as of the 14th day of August, 2007

BETWEEN

SKYSERVICE INVESTMENTS INC.

(the "**Principal Shareholder**")

- and -

6756140 CANADA INC.

("**Holdco**")

- and –

6806929 CANADA INC.

("**Subco**")

- and –

SKYSERVICE AIRLINES INC.

(the "**Corporation**")

ARRANGEMENT AGREEMENT

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3C2

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THIS AGREEMENT dated as of the 14th day of August, 2007

B E T W E E N :

SKYSERVICE INVESTMENTS INC., a corporation incorporated under the federal laws of Canada

(the "**Principal Shareholder**")

- and –

6756140 CANADA INC., a corporation incorporated under the federal laws of Canada

("**Holdco**")

- and -

6806929 CANADA INC., a corporation incorporated under the federal laws of Canada

("**Sub co**")

- and -

SKYSERVICE AIRLINES INC., a corporation incorporated under the federal laws of Canada

(the "**Corporation**")

RECITALS:

WHEREAS:

1. The Board of Directors of the Corporation have approved and agreed to effect, subject to obtaining approval of the Shareholders at the Meeting (both as hereinafter defined) a statutory Plan of Arrangement under Section 192 of the *Canada Business Corporations Act* on the terms of the Plan of Arrangement (as hereinafter defined) annexed as Exhibit A hereto;

2. Holdco and its subsidiary, Subco, have agreed to participate in the Arrangement on the terms and conditions set forth herein;

3. The Principal Shareholder owns approximately 51% of the Shares.

NOW THEREFORE in consideration of the premises and mutual agreements hereinafter set out and of other consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 **Definitions**

In this Agreement:

"**Accounting Records**" means all of the books of account, accounting records and other financial data and information, of the Corporation and the Subsidiaries and includes all records, data and information stored electronically, digitally or on computer related media;

"**Additional Holdback Amount**" means $4,000,000 to be deposited with the Escrow Agent to be paid out as provided in Section 2.11(e) and in accordance with the Escrow Agreement, provided that if any Shareholders have exercised and maintained their Dissent Right, the Additional Holdback Amount will be reduced by the same proportion that the number of Shares held by such Dissenting Shareholders bears to the Aggregate Number of Shares;

"**Adjustment Date**" means the third Business Day after the Closing Working Capital is finally determined in accordance with Section 2.12;

"**Administration Holdback Amount**" means the amount forming part of the Purchase Price and Redemption Price to be held by the Escrow Agent in accordance with the terms of the Administration Holdback Escrow Agreement, which amount shall, as applicable, be paid to the Escrow Agent pursuant to a direction to be set out in the Letter of Transmittal;

"**Administration Holdback Escrow Agreement**" means the agreement between the Principal Shareholder, the Minority Shareholder Representative and the Escrow Agent, to be entered into on Closing with respect to the holding and disbursement of the Administration Holdback Amount;

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with that other Person. For purposes of this definition, a Person "controls" another Person if that Person directly or indirectly possesses the power to direct or cause the direction of the management and policies of that other Person, whether through ownership of securities, by contract or otherwise and "controlled by" and "under common control with" have similar meanings;

"**Agency Agreement**" means the Agency Agreement between the Corporation and Research Capital Corporation dated September 13, 2000;

"**Aggregate Number of Shares**" means 40,010,298 Shares, being comprised, on the date hereof, of 38,036,356 issued and outstanding Class A Shares and 1,973,942 issued and outstanding Class B Shares;

"**Agreement**" means this arrangement agreement and all Schedules and Exhibits attached hereto;

"**Air Authority**" means Transport Canada, the Canadian Transportation Authority, or any Governmental Authority which under the laws of Canada from time to time has control over civil aviation or the registration, airworthiness or operation of Aircraft in Canada;

"**Aircraft**" means the commercial aircraft used by the Corporation in the operation of the Business and includes, as long as such aircraft are being operated by the Corporation, or being subleased by the Corporation as sublessor, or in respect of which the Corporation has any legal obligations, (i) each of the aircraft listed on Schedule 1.1A and having the respective registration and serial numbers identified thereon, and (ii) as applicable, those aircraft that will be added in respect of the Corporation's winter fleet as identified on Schedule 1.1A (except to the extent modified as a result of the substitution of aircraft or other changes in the ordinary course of business) together, in each case, with the engines, propellers or motors, if any, from time to time installed in the aircraft and any and all parts, appliances, instruments, accessories, furnishings, seats and other equipment of whatever nature which are from time to time incorporated or installed in or attached to such Aircraft;

"**Aircraft Leases**" means all leases, subleases and extended charter agreements of Aircraft or Aircraft engines or other Aircraft part to which the Corporation or the Subsidiaries are a party, as lessor, lessee, sublessor or sublessee, or under which they have rights, and any binding commitments relating to the foregoing, being those listed in Schedule 3.1.45;

"**Aircraft Parts**" means spare parts, rotary components and other tangible personal property including, without limitation, any part, component, appliance, system module, engine module, auxiliary power unit, accessory, material, instrument, communications equipment, furnishing or other item of equipment while installed in or attached to the airframe or engine of an Aircraft;

"**Aircraft Parts Inventory**" has the meaning ascribed thereto in Section 3.1.41;

"**Aircraft Records**" means: (i) all records, logs, weight and balance documents, wiring diagrams, flight and maintenance manuals and other materials and data maintained or required to be maintained with respect to the Aircraft pursuant to Aviation Laws, or as required by any applicable Governmental Authority having jurisdiction over the Corporation or its Business and the Aircraft while operated by the Corporation, or as required pursuant to the Aircraft Leases; and (ii) all other modification, maintenance, overhaul and repair records required by manufacturers' maintenance programs applicable to the Corporation, and which, when taken together, will provide a complete and continuous history of all maintenance, overhauls and repairs to each Aircraft from the date of manufacture thereof;

"**Airport Lease**" has the meaning ascribed thereto in Section 3.1.26 ;

"**Airworthiness Directive**" means any airworthiness directive issued by any Governmental Authority applicable to aircraft, engines, appliances and parts of the same type as the Aircraft and the Aircraft Parts;

"**Amalco**" means the amalgamated corporation resulting from the Amalgamation and following the amalgamation of such amalgamated corporation with Holdco, expected to

occur on the day of or the day following the Amalgamation, it shall then mean such resulting corporation;

"**Amalco Funds**" has the meaning ascribed thereto in Section 4.1.6;

"**Amalgamation**" means the amalgamation of Subco and the Corporation under the CBCA pursuant to the Plan of Arrangement to be effective as of the Effective Time;

"**Applicable Law**" means, in respect of any Person, property, transaction or event, any domestic or foreign statute law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline having the force of law, by-law (zoning or otherwise) of any Governmental Authority or Tribunal including any Order that applies in whole or in part to such Person, property, transaction or event and, without limiting the generality of the foregoing, includes Aviation Laws and the Canada Labour Code, and any of the foregoing relating to the ownership, operation or lease of the Real Property, but, unless specifically provided for otherwise, Applicable Law excludes Environmental Law;

"**Arrangement**" means the proposed arrangement under the provisions of Section 192 of the CBCA, on and subject to the terms and conditions set forth in the Plan of Arrangement and any amendment thereto approved by the Corporation and Holdco and Subco;

"**Arrangement Resolution**" means the resolution of the Shareholders approving the Arrangement by Required Shareholder Approval to be included in the Meeting Materials and to be in a form approved by the Parties acting reasonably;

"**Articles**" means, with respect to any body corporate, the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of arrangement, articles of reorganization, articles of revival, letters patent, memorandum of agreement, special Act or statute and any other instrument or constating document by or pursuant to which the body corporate is incorporated or comes into existence;

"**Articles of Arrangement**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Articles of the Corporation**" means the restated articles of incorporation dated September 11, 2000 and subsequent amendments thereto;

"**Assessments**" has the meaning ascribed thereto in Section 3.1.21;

"**Audited Financial Statements**" means the audited consolidated financial statements of the Corporation as at April 30, 2007, consisting of the consolidated balance sheet of the Corporation as at April 30, 2007 and the accompanying statements of profit and loss, retained earnings and changes in financial position for the 12 month period then ended, attached hereto as Schedule 1.1C;

"**Aviation Laws**" means all statutes, regulations, orders, directives, guidelines, judgments or writs of any Tribunal or Governmental Authority relating to aviation and transportation in Canada or any other jurisdiction in which the Business is conducted or any of

the Aircraft are being operated by the Corporation or are otherwise in the care, custody and control of the Corporation, together with all policy statements, instruments, decisions and rulings of the Governmental Authority and all discretionary decisions or rulings, if any, of the Governmental Authority or Tribunal made in connection with the transactions contemplated by this Agreement, in each case applicable to the Corporation or its Business including, without limitation, the *Aeronautics Act* (Canada), the *Canada Transportation Act* and the *Air Regulations* (Canada);

"**BAS Large Aircraft Maintenance Business**" means the large aircraft maintenance business carried on by a subsidiary of the Principal Shareholder consisting solely of the performance of maintenance on large aircraft pursuant to the contracts listed in Schedule 1.1E hereof;

"**Books and Records**" means the Accounting Records and all books, records, books of account, sales and purchase records, lists of Suppliers and customers (including the Tour Operators), credit and pricing information, personnel and payroll records, inventory and accounts receivable data, business, engineering and consulting reports and plans and projections of or relating to the Corporation, the Subsidiaries, the Business or the Aircraft and all other documents, files, records, maps, site plans, surveys, soil and substratum studies, as–built drawings, appraisals, electrical and mechanical plans and studies, correspondence, and other data and information, financial or otherwise, which are in existence and are relevant to the Corporation, the Subsidiaries or the Business, including all data and information stored electronically, digitally or on computer related media which the Corporation has in its possession or under its control and, unless the context otherwise requires, includes Aircraft Records;

"**Business**" means the business carried on by the Corporation and its Subsidiaries, being the business of providing leisure charter and scheduled aircraft services, including operating programs for tour operators, large aircraft cargo operations, maintenance of its own and third party large aircraft, wet leasing of large aircraft (known as the ACMI business, where lessor charges lessee for the aircraft, crew, maintenance and insurance), dry leasing of large aircraft, the provision of technical services (as such term is commonly understood in the airline industry) relating to the operation of large aircraft, the operation of a website for booking seats on the Corporation's Aircraft, including internet sales for the Tour Operators and internet sales for the Corporation's own programs under one of the Subsidiary's travel agency license, and all related activities;

"**Business Day**" means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in the City of Toronto are not open for the transaction of domestic business during normal banking hours;

"**Business Representations and Warranties**" means the representations and warranties made by the Corporation in Section 3.1;

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time;

"**Certificate of Airworthiness**" means the certificate of airworthiness issued for each Aircraft by the applicable Governmental Authority;

"**Certificate of Arrangement**" means the certificate of arrangement issued by the Director in accordance with Section 192 of the CBCA to give effect to the Arrangement;

"**Certificate of Registration**" means the certificate of registration for each Aircraft issued by the applicable Governmental Authority;

"**Claim**" means any act, omission or state of facts, and any Legal Proceeding, assessment, judgment, settlement or compromise relating thereto, which may give rise to a right to indemnification under Sections 6.1 or 6.2;

"**Class A Shares**" means the Class A voting common shares in the capital of the Corporation;

"**Class B Shares**" means the Class B non-voting common shares in the capital of the Corporation;

"**Closing**" means the completion of the transactions contemplated by this Agreement, including the Arrangement pursuant to the Plan of Arrangement and the other transactions that are to occur contemporaneously therewith;

"**Closing Balance Sheet**" means the balance sheet of the Corporation and the Subsidiaries on a consolidated basis as at the Closing Date, prepared in accordance with generally accepted accounting principles, consistently applied, and to be calculated on the basis of the same asset and liability classifications, including the same valuation methodology, as applied in the balance sheets included in the Audited Financial Statements as shown on Schedule 1.1C and Schedule 2.12.1 hereto, as finally determined in accordance with the provisions of Section 2.12;

"**Closing Date**" means, unless otherwise agreed upon by the Parties, the day following the end of the calendar month in which all conditions of Closing set out in Sections 5.1 and 5.2 are able to be satisfied on Closing (or waiver of any such condition by the Party in favour of whom the condition was made), provided that such date shall not be later than the Outside Date;

"**Closing Document**" means any document or instrument delivered at or subsequent to the Closing as provided in or pursuant to this Agreement;

"**Closing Time**" means 10:00 a.m. Toronto time on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing shall take place;

"**Closing Working Capital**" means the amount equal to the total of the Corporation's consolidated current assets less the total of its consolidated current liabilities as shown on the Closing Balance Sheet and, for these purposes, "current assets" and "current liabilities" shall consist of the same asset and liability classification as shown on the Working Capital Calculations as at January 31 and April 30, 2007 except as otherwise expressly stated

herein (which incorporates the same methodology and classifications as set out in the Working Capital Calculations as at January 31, 2007) attached as Schedule 2.12.1 hereto, which, for certainty, (i) shall not include as part of current assets the amount of future income taxes or the accounts receivable owing by Vacances Maestro or in respect of the Air Travellers Security Charge referred to in Schedule 3.1.38 (which accounts receivable will be dealt with as provided in Section 4.3.5); (ii) shall include as a current liability the outstanding balance of the loan by CIT Financial to the Corporation from CIT Financial (currently approximately $560,000), and such loan shall remain in place following Closing; (iii) shall include as part of current assets the LTU Holdback Amount; (iv) shall include as part of current liabilities the applicable tax payable (to the extent unpaid at Closing Time) in respect of the previous release of the LTU Reserves; (v) shall include the current liabilities items that are properly accrued for or recorded in respect of (A) the cost of preparing the Closing Balance Sheet and financial statements and Tax Returns in respect of any financial year-ends or periods of the Corporation ending on or prior to the Closing Time including, without limitation, the statements of the Estimated Closing Working Capital and Closing Working Capital; (B) the cost incurred in terminating the Respective Rights Agreement as contemplated in Section 5.1.13; (C) the costs relating to shareholder and court approval of the Plan of Arrangement, including the cost of the Fairness Opinion; (D) except as otherwise provided for herein or as specifically otherwise agreed in writing by the Parties, other costs related to the transactions paid or payable by the Corporation including, without limitation, the fees and expenses of Capital West Partners referred to in Section 3.5; and (vi) any other amount specified herein as being included in the Estimated Closing Working Capital and the Closing Working Capital;

"**Collective Agreement**" means any collective agreement, association agreement, letter of understanding, letter of intent or other written communication with any labour union or Employee association that governs the terms and conditions of employment of any Employees;

"**Competition Act Approval**" means either:

(a) the applicable waiting period under section 123 of the *Competition Act* (Canada) shall have expired and (i) Holdco and/or Subco shall have been advised in writing by the Commissioner of Competition appointed under such Act that she has determined not to make an application for an order under section 92 or section 100 of such Act in respect of the transaction(s) contemplated by this Agreement, or

(b) an advance ruling certificate shall have been issued under section 102 of such Act in respect of the transaction(s) contemplated by this Agreement;

"**Confidentiality Agreement**" means the letter agreement titled "Confidentiality Agreement" dated November 29, 2006 between the Corporation and Second City Capital Corporation;

"**Consent**" means any consent, approval, permit, waiver, ruling, exemption, or acknowledgement from any Person (other than the Corporation or the Subsidiaries) under the terms of any Contract, Lease, Aircraft Leases or Equipment Lease issued to or for the benefit of the Corporation or the Subsidiaries which is provided for or required pursuant to the terms of such Contract, Lease, Aircraft Leases or Equipment Lease in connection with the completion of

the transactions contemplated herein or which is otherwise necessary to permit the Parties to perform their obligations or is otherwise required to permit the consummation of the transactions as contemplated herein;

"**Contracts**" means all contracts, agreements, instruments and other legally binding commitments or arrangements, written or oral, entered into by the Corporation or the Subsidiaries;

"**Corporation**" means Skyservice Airlines Inc., a corporation incorporated under the laws of Canada;

"**Corporation Meeting**" means the special meeting of Shareholders, including any adjournment or postponement thereof, to be called and convened to consider and, if deemed advisable, to approve the Arrangement;

"**Court**" means the Ontario Superior Court of Justice;

"**Customized Third Party Software with Object Code**" means where the Corporation licenses object code from a vendor and has rights to the original source code for the purpose of modifying, reusing, and compiling into new executables;

"**Customized Third Party Software with Source Code**" means the Corporation has contracted a third party to develop a specific application, typically on a time and materials basis, solely for the purpose of the Corporation's use; the Corporation is provided with the original source code and the license rights for its use; and the Corporation has the right to modify the original source code or reuse portions of the source code for use in other applications;

"**Debt Instrument**" means any bond, debenture, promissory note or other instrument evidencing indebtedness for borrowed money or other liability;

"**Depository**" means, Equity Transfer & Trust Company or such other depository, mutually acceptable to the Corporation, Subco and Holdco, each acting reasonably, which depository shall enter into the Depository Agreement and to carry out the other duties of a depository contemplated herein;

"**Depository Agreement**" means the depository agreement to be entered into between the Principal Shareholder, the Minority Shareholder Representative, Holdco, Subco, the Corporation and the Depository, in the form approved by the Parties acting reasonably;

"**Direct Claim**" means any Claim asserted against an Indemnitor by an Indemnitee which does not result from a Third Party Claim;

"**Director**" means the Director appointed under Section 260 of the CBCA;

"**Dissent Right**" means the right to dissent to the Arrangement as provided for under Section 190 of the CBCA and/or under the Interim Order;

"**Dissenting Shareholder**" means a Shareholder who has exercised the Dissent Right;

"**Effective Time**" means the commencement of the day (Toronto time) on the Closing Date;

"**Employee**" means an individual who is employed by the Corporation or any of the Subsidiaries, whether on a full-time or part-time basis;

"**Employee Benefit Plans**" means all compensation, bonus, deferred compensation, incentive compensation, share purchase, share appreciation, share option, severance or termination pay, vacation pay, hospitalization or other medical, health and welfare benefits, life or other insurance, dental, eye care, disability, salary continuation, supplemental unemployment benefits, profit-sharing, mortgage assistance, Employee loan, Employee discount, Employee assistance, counselling, pension, retirement or supplemental retirement benefit plan, arrangement or agreement, including any defined benefit or defined contribution pension plan and any group registered retirement savings plan, and any other similar Employee benefit plan, arrangement or agreement, whether oral or written, formal or informal, funded or unfunded, including policies with respect to holidays, sick leave, long-term disability, vacations, expense reimbursements and automobile allowances and rights to company provided automobiles, that are sponsored or maintained or contributed to or required to be contributed to, by the Corporation or the Subsidiaries for the benefit of any of the Employees, former Employees or beneficiaries of any of them, whether or not insured and whether or not subject to any Applicable Law, except that the term "**Employee Benefit Plans**" shall not include any statutory plans with which the Corporation or the Subsidiaries are required to comply, including the Canada/Quebec Pension Plan or plans administered pursuant to applicable provincial health tax, workers' compensation, workers' safety and insurance and employment insurance legislation;

"**Encumbrance**" means any mortgage, charge, easement, encroachment, lien, adverse claim, restrictive covenant, assignment by way of security, security interest of any nature, servitude, pledge, hypothecation, security agreement, title retention agreement, right of occupation (other than pursuant to a lease or licence referred to herein), right of seizure or detention, option or privilege or any agreement to create any of the foregoing;

"**Environment**" means the environment, including the natural environment;

"**Environmental Law**" means any applicable law relating to the Environment or occupational health and safety including those pertaining to (a) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and (b) the generation, manufacture, processing, distribution, use, re-use, treatment, storage, disposal, transport, labelling, handling and the like of Hazardous Substances;

"**Environmental Permits**" means all Licenses required under Environmental Law;

"**Equipment Leases**" means all leases of personal property to which the Corporation is a party, excluding any leases or subleases for any Aircraft or Aircraft engines or Aircraft Parts, or under which it has rights, including those listed on Schedule 3.1.28;

"**Escrow Agent**" means Fraser Milner Casgrain LLP;

"**Escrow Agreement**" means the escrow agreement to be entered into by the Escrow Agent, the Parties and the Minority Shareholder Representative with respect to the holding and disbursement of the Escrowed Amounts, in the form approved by the parties acting reasonably;

"**Escrowed Amounts**" means the Holdback Amount, the Working Capital Holdback Amount, the LTU Holdback Amount and the Additional Holdback Amount, to be paid by the Parties as indicated in Sections 2.3(a)(x) and 2.4(b);

"**Estimated Closing Working Capital**" has the meaning ascribed thereto in Section 2.10;

"**Estimated Redemption Amount**" and "**Estimated Purchase Price**" mean the amounts estimated as such in Section 2.10, and "**Estimated Amount**" means the sum of the Estimated Redemption Amount and the Estimated Purchase Price;

"**Expense Reports**" has the meaning ascribed thereto in Section 7.6;

"**Fairness Opinion**" means the opinion of PricewaterhouseCoopers stating that the transaction provided for in this Agreement is fair, from a financial point of view, to the Shareholders;

"**Final Order**" means the final order of the Court approving the Arrangement, in form and substance satisfactory to the Corporation, Holdco, the Principal Shareholder and the Minority Shareholder Representative, each acting reasonably, (and shall be deemed to be satisfactory if it is substantially consistent with the Interim Order and as such Order may be amended by the Court (with the consent of the Corporation, Holdco, the Principal Shareholder and the Minority Shareholder Representative, each acting reasonably, any time prior to the Effective Time) or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended on appeal in each case with the consent of Holdco, the Corporation, the Principal Shareholder and the Minority Shareholder Representative, each acting reasonably;

"**First Party**" has the meaning ascribed thereto in Section 5.4;

"**Governmental Authority**" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, Tribunal, commission, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government including, without limitation, any Air Authority;

"**Guarantee**" means any agreement, contract or commitment providing for the guarantee, indemnification, assumption or endorsement or any like commitment with respect to

the obligations, liabilities (contingent or otherwise) or indebtedness of any Person, but not, for certainty letters of credit described in Section 3.1.12;

"**Hangars #6 and #6A**" means the aircraft hangars commonly known as Hangars #6 and #6A located at Lester B. Pearson International Airport, Toronto, Ontario;

"**Hazardous Substance**" means any solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of them in such quantities or concentrations which when present in the Environment are prohibited by the applicable Environmental Law;

"**Holdback Amount**" means $5,000,000;

"**Holdco Funds**" has the meaning ascribed thereto in Section 2.4(a);

"**Holdco Third Party Expenses**" means reasonable out-of-pocket third party expenses incurred by or on behalf of Holdco or its Affiliates after January 31, 2007 in connection with Holdco's and Subco's legal and business due diligence carried out in connection with the transactions contemplated herein, to a maximum of $500,000, plus any GST exigible thereon as provided in Section 7.6;

"**Income Tax Act**" means, collectively, the *Income Tax Act*, R.S.C. 1985, 5th Supplement, the *Income Tax Application Rules*, R.S.C. 1985, 5th Supplement, and the *Income Tax Regulations*, in each case as amended to the date hereof;

"**Indemnitee**" means any Party and its Representatives entitled to indemnification under Article 6 of this Agreement;

"**Indemnitor**" means any Party obligated to provide indemnification under Article 6 of this Agreement;

"**Indemnity Payment**" means any amount of a Loss required to be paid pursuant to Sections 6.1 or 6.2;

"**Independent Accountant**" has the meaning ascribed thereto in subsection 2.12.2;

"**Information**" has the meaning ascribed thereto in Section 4.3.1;

"**Information Circular**" means the management information circular of the Corporation relating to the Arrangement to be sent to the Shareholders in connection with the Corporation Meeting;

"**Information Systems**" means all Software, domain names, hardware, telecommunications, network connections, peripherals and other communication and technology infrastructure owned or used by or on behalf of the Corporation, or otherwise in connection with the Business;

"**In-House Developed (Source Code)**" means Software that the Corporation has developed based on a software development methodology of requirements gathering, design, coding, testing, and finally deployment;

"**Initial Payment**" has the meaning ascribed to such term in Section 2.9;

"**Intellectual Property**" has the meaning ascribed to such term in Section 3.1.42;

"**Interim Order**" means the interim order of the Court, consistent with the Plan of Arrangement and the Required Shareholder Approval in form and substance satisfactory to the Corporation, Holdco and Subco, each acting reasonably, and as the same may be amended by the Court (with the consent of Holdco, Subco and the Corporation, each acting reasonably), containing a declaration and directions in respect of the notice to be given in respect of in the conduct of the Corporation Meeting;

"**Interested Person**" means any present or former officer, director, shareholder or Employee of the Corporation or the Subsidiaries or any Person with which the Corporation or the Subsidiaries or any of the foregoing does not deal at arm's length within the meaning of the Tax Act;

"**Interim Period**" means the period from and including the time of execution of this Agreement to and including the Closing Time;

"**Key Officers**" means Robert Giguere, Jacquelin Smalec and L. Russell Payson;

"**Leased Property**" means all the right, title and interest of the Corporation in and to the subject matter (whether real or personal property) of the Leases and the Equipment Leases;

"**Leases**" means the real property leases, hangar leases, and other rights of occupancy relating to real property to which the Corporation is a party or under which they have rights, whether as lessor or lessee, including those set forth and described in Schedule 3.1.25;

"**Legal Proceeding**" means any litigation, action, suit, investigation, hearing, claim, complaint, grievance, arbitration proceeding or other proceeding and includes any appeal or review and any application for same, but excludes actions before small claims courts or claims or complaints which, if left unsatisfied, may be brought only before small claims courts;

"**Lessor**" means the lessor of any Leased Property or any equipment that is the subject of an Equipment Lease or under any Aircraft Leases, as applicable;

"**Letter of Intent**" means the letter of intent between Second City Capital Corporation, Gibralt Capital Corporation, the Corporation, the Principal Shareholder and Ron Patmore dated June 28, 2007;

"**Letter of Transmittal**" means the Letter of Transmittal, to be substantially in the form agreed to by the Parties prior to the date hereof, to be sent to Shareholders in connection with the Arrangement and the execution and deposit of which, together with certificates

representing their Shares, is required to enable Shareholders to receive the Purchase Price or the Redemption Price from the Depository;

"**Licence**" means any licence, permit, approval, authorization, certificate, directive, order, variance, registration, right, privilege, concession or franchise or any extension, modification or waiver of the foregoing, issued, granted, conferred or otherwise created by any Governmental Authority including air carrier licenses, air operator certificates, approved maintenance organization authority, and permits and licenses issued under the *Canada Transportation Act* and any other Applicable Laws whether held by the Corporation or any of the Subsidiaries, and includes any pending application for any of the foregoing;

"**Loss**" means any and all loss, liability, damage, cost, expense, charge, fine, penalty or assessment, resulting from or arising out of any Claim, including the costs and expenses of any Legal Proceeding, assessment, judgment, settlement or compromise relating thereto and all interest, fines and penalties and reasonable legal fees and expenses incurred in connection therewith but excluding any amount recovered from a third party;

"**LTU Holdback Amount**" means the sum of $1,152,000 to be deposited by the Corporation with the Escrow Agent prior to the Closing Time to be paid out as provided in Section 2.11(d) and in accordance with the Escrow Agreement, provided that if any Shareholders have exercised and maintained their Dissent Right, the LTU Holdback Amount will be reduced by the same proportion that the number of Shares held by such Dissenting Shareholders bears to the Aggregate Number of Shares.

"**LTU Reserves**" means the amount of approximately $1,800,000 previously reserved by the Corporation in respect of future maintenance events relating to the Airbus A330-300 aircraft (MSN 171) subleased (the "**LTU Sublease**") by the Corporation to LTU Luftransport-Uuteruehmen GmbH ("**LTU**") as described in Schedules 3.1.45 and 3.1.15.

"**Material Adverse Effect**" means (i) with respect to the Corporation, or the Business, any event, change or effect that, individually or in the aggregate, is, or would reasonably be expected to be, both material and adverse to the financial condition, results of operation, assets or business of the Corporation or the Business, taken as a whole; or (ii) a material adverse effect on the ability of the Parties to consummate the transactions contemplated by this Agreement, other than any such event, change or effect caused by or resulting from (x) changes in general economic conditions; or (y) competition or other changes in circumstances or conditions affecting the industries in which the Corporation operates;

"**Material Contracts**" means the Contracts identified with an asterisk on the respective Schedule referring to such Contract;

"**Material Licences**" means the Licences identified with an asterisk on Schedule 3.1.3 and includes, without limitation, all Licenses issued to the Corporation under the *Canadian Transportation Act* or other Aviation Laws relating to the Aircraft and IATA ;

"**Meeting Materials**" means the Notice of the Corporation Meeting and accompanying Information Circular and form of proxy, Letter of Transmittal, a draft of the Final

Order, the Fairness Opinion, and other material to be sent to the Shareholders in connection with the Corporation Meeting;

"**Minority Shareholders**" means the Shareholders other than the Principal Shareholder, as set out in Schedule 1.1B;

"**Minority Shareholder Representative**" means the representative to be appointed by the Minority Shareholders under the Letter of Transmittal for the purposes of representing Minority Shareholders, including in respect of payments made from the Escrowed Amounts and the Administration Holdback Amount, which shall initially be Ron Patmore;

"**Negative Working Capital Adjustment**" has the meaning ascribed thereto in Section 2.13;

"**Non-Resident Shareholder**" means a Shareholder who is a "non-resident" of Canada within the meaning of the *Income Tax Act* (Canada);

"**Notice Period**" has the meaning ascribed thereto in Section 6.5;

"**Off-the-Shelf with Object Code**" means Software where the Corporation has purchased a license to use the Software, including the executables and setup programs, in order to use the Software as designed, and where the Corporation may only configure features exposed by vendor;

"**Off-the-Shelf with Source Code**" means Software where the Corporation licenses the source code from a vendor including the rights to the original source code for the purpose of modifying, reusing, and compiling into new executables;

"**Order**" means any order, directive, judgment, decree, award or writ of any Tribunal;

"**Outside Date**" means December 1, 2007;

"**Parties**" means the Principal Shareholder, Holdco, Subco and the Corporation and "**Party**" means any one of them;

"**Permitted Encumbrances**" means:

(a) inchoate or statutory liens for Taxes not at the time overdue but only if the amount thereof at the Closing Date is taken into account as a current liability in calculating the Closing Working Capital and inchoate or statutory liens for overdue Taxes the validity of which the Corporation or the Subsidiaries are contesting in good faith but only for so long as such contestation effectively postpones enforcement of any such liens or Taxes, and only if the amount of such overdue Taxes at the Closing Date is taken into account as a current liability in calculating the Closing Working Capital;

(b) statutory liens incurred or deposits made in the ordinary course of business of the Corporation or the Subsidiaries in connection with worker's compensation,

employment insurance, employer health tax, Canada Pension Plan and similar legislation, but only to the extent that each such statutory lien or deposit relates to amounts not yet due but only if the amount thereof at the Closing Date is taken into account as a current liability in calculating the Closing Working Capital;

(c) liens and privileges arising out of any judgment with respect to which the Corporation or the Subsidiaries intend to prosecute an appeal or proceedings for review but only for so long as there is a stay of execution pending the determination of such appeal or proceedings for review, and only if the amount thereof at the Closing Date is taken into account as a current liability in calculating the Closing Working Capital;

(d) security given by the Corporation or the Subsidiaries to a public utility, airport or any Governmental Authority when required in the ordinary course of business of the Corporation or the Subsidiaries but only to the extent that the amount of the obligation secured at the Closing Date is taken into account as a current liability in calculating the Closing Working Capital;

(e) undetermined or inchoate construction or repair or storage liens arising in the ordinary course of the business of the Corporation or the Subsidiaries, a claim for which has not been filed or registered pursuant to law or for which notice in writing has not been given to the Corporation or the Subsidiaries, but only if the amount thereof at the Closing Date is taken into account as a current liability in calculating the Closing Working Capital; and

(f) the other encumbrances listed on Schedule 1.1D and Schedule 3.1.23; and

(g) security created in favour of Holdco's or Subco's lenders in respect of the transactions contemplated hereby;

"**Personal Information**" means any information about an identifiable individual which is protected by any Privacy Law;

"**Person**" means an individual, partnership, corporation, trust, unincorporated association, joint venture, Governmental Authority or other entity;

"**Phase I Reports**" means the environmental assessment reports from Waters Environmental Group Inc. dated July, 2007, prepared for Holdco or its Affiliates with respect to the Real Property, a copy of which having been provided to the Corporation and the Principal Shareholder;

"**Plan of Arrangement**" means the plan of arrangement substantially in the form attached as Exhibit A hereto as the same may be amended from time to time in accordance with the terms hereof and thereof;

"**Positive Working Capital Adjustment**" has the meaning ascribed thereto in Section 2.13;

"**Preferred Share Conditions**" means the rights, privileges, restrictions and conditions attaching to the Preferred Shares as set forth in the Plan of Arrangement;

"**Preferred Shares**" means the preferred shares in the capital of Amalco and which will be redeemed by Amalco in accordance with the Preferred Share Conditions for the Redemption Price per share;

"**Privacy Law**" means any Applicable Law relating to the protection of Personal Information including the *Personal Information Protection and Electronic Documents Act* (Canada);

"**Privacy Policies**" means the practices, policies and procedures of the Corporation in respect of Personal Information;

"**Principal Shareholder's Auditors**" means KPMG LLP;

"**Purchase Price**" or "**Redemption Price**", as applicable, means the purchase price payable for each of the Shares to be purchased or the redemption price for each of the Preferred Shares to be redeemed, as provided in the Plan of Arrangement, which shall be equal to $82,000,000 in aggregate, subject to adjustment as provided for herein, divided by the Aggregate Number of Shares, and which shall be paid in the manner provided for in the Plan of Arrangement, the Preferred Share Conditions and this Agreement;

"**Real Property**" means the real property owned by the Corporation or the Subsidiaries, described in Schedule 3.1.23, and includes, Hangars # 6 and #6A as well as all plant, buildings, structures, erections, improvements, appurtenances and fixtures situate thereon or forming part thereof;

"**Regulatory Approval**" means any License, approval, consent, ruling, authorization, notice, permit or acknowledgement that may be required from any Governmental Authority by Applicable Law including, without limitation, the Canadian Transportation Agency, the terms of any Licence or the conditions of any Order which is required pursuant to such Applicable Law, Licence or Order in connection with the completion of the transactions contemplated herein or which is otherwise necessary to permit the Parties to perform their obligations or is otherwise required to permit the consummation of the transactions as contemplated herein;

"**Release**" means any release or discharge of any Hazardous Substance, including any burial, incineration, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal;

"**Representative**" means, in respect of an Indemnitee, each director, officer, Employee, agent, solicitor, accountant, professional advisor and other representative of that Indemnitee and Amalco;

"**Required Shareholder Approval**" means (i) a special resolution passed by a majority of not less than two-thirds of the votes cast by the holders of Class A and Class B

Shares, voting as a single class, who vote in respect of the Arrangement Resolution at the Corporation Meeting and (ii) an ordinary resolution of the holders of the Class A Shares, other than the Principal Shareholder, and the holders of the Class B Shares, voting as a single class, passed by a majority of the votes cast by the holders of such Shares who vote in respect of the Arrangement Resolution at the Corporation Meeting, or such other approval as required by the Interim Order and acceptable to the Parties, each acting reasonably;

"**Respective Rights Agreement**" means the respective rights agreement made as of September 13, 2000 between the Principal Shareholder and Roots Canada Ltd.;

"**Section 116 Escrow Agent**" means Cassels Brock & Blackwell LLP ;

"**Section 116 Escrow Agreement**" means the agreement between the Minority Shareholder Representative, Holdco, Subco and the Section 116 Escrow Agent, to be entered into at Closing with respect to holding and disbursing the withheld funds described in Section 2.15, in such form acceptable to the Parties acting reasonably;

"**Shares**" means the Class A Shares and the Class B Shares in the capital of the Corporation;

"**Shareholders**" means, collectively, the Principal Shareholder and the Minority Shareholders;

"**Skyservice Trademark**" means the trade-mark SKYSERVICE as used in association with the Business and filed in Canada under application 1,311,668 and registered in the United States under registration 2,225,935;

"**Software**" means all software owned or used by or on behalf of the Corporation, or otherwise in connection with the Business, including all computer programs, operating systems, applications, websites, website content, interfaces, applets, scripts, macros, firmware, middleware, development tools and other software code, whether in object code, source code or other format or in SQL, hypertext or wireless mark-up, xml or other language;

"**State of Design**" means the country that is responsible for the type design of an aircraft or component;

"**Subsidiary**" or, as applicable "**Subsidiaries**" means 4366794 Canada Inc., a corporation incorporated under the federal laws of Canada and Skyservice Airlines Limited, a corporation incorporated under the laws of the United Kingdom;

"**Supplier**" means any Person who supplies goods or services to the Corporation whether by Contract or pursuant to the terms of an Equipment Lease or by any other means;

"**Support Letters**" means the support letters/acknowledgements provided or to be provided to the Corporation from each of Roots Canada Ltd., Leonard B. Schlemm, Ron Patmore and Leo Desrochers;

"**Tax Legislation**" means, collectively, the *Income Tax Act* (Canada) and all federal, provincial, territorial, municipal, foreign, or other statutes imposing a tax, including all treaties, conventions, rules, regulations, orders, and decrees of any jurisdiction;

"**Tax Returns**" means all reports, elections, returns, and other documents required to be filed under the provisions of any Tax Legislation and any tax forms required to be filed, whether in connection with a Tax Return or not, under any provisions of any applicable Tax Legislation;

"**Tax**" **or** "**Taxes**" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Authority under any applicable Tax Legislation, including, without limitation, Canadian federal, provincial, territorial, municipal and local, foreign or other income, capital, goods and services, sales, use, consumption, excise, value-added, business, real property, personal property, transfer, franchise, withholding, payroll, or employer health taxes, customs, import, anti-dumping or countervailing duties, Canada Pension Plan/Quebec Pension Plan contributions, employment insurance premiums, and provincial workers' compensation payments and premiums, including any interest, penalties and fines associated therewith;

"**Third Party Claim**" means any Claim asserted against an Indemnitee that is paid or payable to, or claimed by, any Person who is not a Party, including, for certainty, a claim resulting from a Dissenting Shareholder exercising its Dissent Rights;

"**Tour Operators**" means collectively First Choice Canada Inc., Conquest Vacations Company, MyTravel Canada Holidays Inc. and any other Person that has entered into an agreement with the Corporation to have the Corporation operate for it flying programs over multiple seasons; and "**Tour Operator**" means any one of them;

"**Tour Operator Agreements**" means the agreements with Tour Operators set out in Schedule 3.1.32;

"**Tour Operator Deposits**" means the payment of funds made by a Tour Operator to the Corporation payable 7 days in advance of each chartered flight in the amount provided for by the Corporation's tariff filed in accordance with Applicable Law;

"**Trade Mark License**" means the trade mark license to be entered into between the Corporation and the Principal Shareholder at the Closing Time, substantially in the form attached hereto as Exhibit G which reflects the substance of the agreement between the parties thereto in its entirety;

"**Transitional Services Agreement**" means the transitional services agreement to be entered into at the Closing Time between the Corporation and the Skyservice Business Aviation Group of Companies in a form acceptable to the Parties acting reasonably relating to certain transitional services, as summarized in Exhibit D;

"**Tribunal**" means any court (including a court of equity), arbitrator or arbitration panel and any other Governmental Authority, stock exchange, professional or business

organization or association or other body exercising adjudicative, regulatory, judicial or quasi-judicial powers;

"**Working Capital Holdback Amount**" means the sum of $4 million, pro rated as described below, to be held back from the payment of the Estimated Amount (as contemplated by Section 2.10) pending the calculation of the Closing Working Capital, provided that if any Shareholders have exercised and maintained their Dissent Right, the Working Capital Holdback Amount will be reduced by same proportion that the number of Shares held by such Dissenting Shareholders bears to the Aggregate Number of Shares.

1.2 Recitals

Each Party acknowledges and declares that the recitals concerning it in this Agreement are true and correct.

1.3 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall, unless otherwise expressly stated herein, be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor entity thereto, applicable as at the date on which such principles are to be applied or on which any calculation or determination is required to be made in accordance with generally accepted accounting principles.

1.4 Governing Law; Attornment

This Agreement shall be construed, interpreted and enforced in accordance with, and the rights of the Parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein (excluding any conflict of law rule or principle of such laws that might refer such interpretation or enforcement to the laws of another jurisdiction). Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising hereunder or relating hereto.

1.5 Entire Agreement; Amendment

This Agreement and the Closing Documents, together with the Confidentiality Agreement, constitutes the entire agreement between the Parties with respect to the transactions herein contemplated and cancels and supersedes any prior understandings, agreements, negotiations and discussions, written or oral, between the Parties with respect thereto including the terms of the Letter of Intent. There are no representations, warranties, terms, conditions, undertakings or collateral agreements or understandings, express or implied, between the Parties other than those expressly set forth in this Agreement or in any Closing Document. This Agreement may not be amended, supplemented or otherwise modified in any respect except by written instrument executed by all of the Parties.

1.6 **Calculation of Time**

In this Agreement, a period of days shall be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (Toronto time) on the last day of the period. If any period of time is to expire hereunder on any day that is not a Business Day, the period shall be deemed to expire at 5:00 p.m. (Toronto time) on the next succeeding Business Day.

1.7 **Performance on Holidays**

If any act (including the giving of notice) is otherwise required by the terms hereof to be performed on a day which is not a Business Day, such act shall be valid if performed on the next succeeding Business Day.

1.8 **Waiver of Rights**

Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

1.9 **Knowledge**

Where any representation, warranty or other statement in this Agreement is expressed to be made by the Corporation to its knowledge or is otherwise expressed to be limited in scope to matters known to the Corporation or of which the Corporation is aware, it shall mean such knowledge as is actually known to the following individuals: L. Russell Payson, Robert Giguere, Jacquelin Smalec, Catherine Duff-Caron, and with respect to Sections 3.1.24 and 3.1.46 through 3.1.52, only, the Vice-President, Maintenance of the Corporation after making such enquiries as are reasonable in the circumstances.

1.10 **Tender**

Any tender of documents or money hereunder may be made upon the Parties or their respective counsel and money shall be tendered by official bank draft drawn upon a Canadian chartered bank or by negotiable cheque payable in Canadian funds and certified by a Canadian bank listed in Schedule 1 to the *Bank Act* (Canada) or by wire transfer of immediately available funds.

1.11 **Severability**

Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

1.12 **Conflict**

In the event of any conflict or inconsistency between the terms and conditions in the body of this Agreement and those in any Schedule (including any agreement entered into pursuant to this Agreement), the terms and conditions in the body of this Agreement shall govern and take precedence and the Parties shall take such steps as may be required or desirable to conform the conflicting or inconsistent provisions thereof to this Agreement.

1.13 **Consents and Approvals**

Unless otherwise specified, where the consent or approval of a Party is contemplated or required by the terms of this Agreement, that Party shall not unreasonably delay or withhold the giving of such consent or approval after a request therefor has been made by the other Party.

1.14 **Remedies Cumulative**

The rights, remedies, powers and privileges herein provided to a Party are cumulative and in addition to and not exclusive of or in substitution for any rights, remedies, powers and privileges otherwise available to that Party.

1.15 **Additional Rules of Interpretation**

(a) In this Agreement, unless the context requires otherwise, words in one gender include all genders and words in the singular include the plural and vice versa.

(b) The division of this Agreement into Articles, Sections, Subsections, Schedules and other subdivisions, the inclusion of headings and the provision of a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The headings in the Agreement are not intended to be full or precise descriptions of the text to which they refer.

(c) Unless something in the subject matter or context is inconsistent therewith, references herein to an Article, Section, Subsection, paragraph, clause, Schedule or Exhibit are to the applicable article, section, subsection, paragraph, clause, Schedule or Exhibit of this Agreement.

(d) Wherever the words "include", "includes" or "including" are used in this Agreement or in any Closing Document, they shall be deemed to be followed by the words "without limitation" and the words following "include", "includes" or "including" shall not be considered to set forth an exhaustive list.

(e) The words "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions shall be construed as referring to this Agreement in its entirety and not to any particular section or portion of it.

(f) Unless otherwise specified, all dollar amounts in this Agreement, including the symbol "$", refer to Canadian currency.

(g) Unless otherwise indicated, all references in this Agreement to any statute include the regulations thereunder and all applicable guidelines, bulletins or policies made in connection therewith and which are legally binding, in each case as amended, re-enacted, consolidated or replaced from time to time and in the case of any such amendment, re-enactment, consolidation or replacement, reference herein to a particular provision shall be read as referring to such amended, re-enacted, consolidated or replaced provision.

(h) All references herein to any agreement (including this Agreement), document or instrument mean such agreement, document or instrument as amended, supplemented, modified, varied, restated or replaced from time to time in accordance with the terms thereof and, unless otherwise specified therein, includes all schedules and exhibits attached thereto.

(i) Unless the context otherwise requires, references in this Agreement to a "Person" are to be broadly interpreted and shall include an individual (whether acting as an executor, administrator, legal representative or otherwise), body corporate, unlimited liability company, partnership, limited liability partnership, joint venture, trust, unincorporated association, unincorporated syndicate, any Governmental Authority and any other legal or business entity.

(j) The term "ordinary course", when used in relation to the conduct by the Corporation or the Subsidiaries of the Business, or the conduct of business by any other Person, means any transaction which constitutes an ordinary business activity, conducted in a commercially reasonable and businesslike manner, having no unusual or special features, and, in the case of the Corporation or the Subsidiaries, consistent with past practice and, in the case of any other Person, being such as a Person of similar nature and size and engaged in a similar business might reasonably be expected to carry out from time to time.

(k) Unless otherwise defined herein, words or abbreviations which have well-known trade meanings are used herein with those meanings.

1.16 **Schedules and Exhibits**

The following are the Schedules and Exhibits attached to and incorporated in this Agreement by reference and deemed to be a part hereof:

Schedule 1.1A	-	Aircraft
Schedule 1.1B	-	Minority Shareholders
Schedule 1.1C	-	Audited Financial Statements
Schedule 1.1D	-	Permitted Encumbrances
Schedule 1.1E	-	BAS Large Aircraft Maintenance Agreements
Schedule 2.12.1		Working Capital Calculation

Schedule 3.1.1	-	Articles of Corporation and the Subsidiaries
Schedule 3.1.3	-	Licences
Schedule 3.1.5	-	List of Shareholders and Shares held
Schedule 3.1.6		Investments
Schedule 3.1.7	-	Obligations to Issue Securities
Schedule 3.1.8	-	Regulatory Approvals
Schedule 3.1.12	-	Tour Operator Deposits and Related Matters
Schedule 3.1.15		Business Carried on in Ordinary Course
Schedule 3.1.17	-	Agreements and Arrangements with Interested Persons
Schedule 3.1.18	-	Information Regarding Employees and Employee Benefits
Schedule 3.1.22	-	Debt Instruments
Schedule 3.1.23	-	Real Property
Schedule 3.1.25	-	Leases
Schedule 3.1.26	-	Airport Lease Arrangements
Schedule 3.1.28	-	Equipment Leases
Schedule 3.1.31	-	Insurance Policies
Schedule 3.1.32	-	Contracts
Schedule 3.1.33	-	Security Deposits on Aircraft or Pursuant to Charter Agreements
Schedule 3.1.34	-	Description of Pledges of Cash Collateral
Schedule 3.1.35	-	Customers and Suppliers
Schedule 3.1.36	-	Legal Proceedings
Schedule 3.1.37	-	Banking Information
Schedule 3.1.38	-	Tax Matters
Schedule 3.1.41	-	Aircraft Parts Inventory
Schedule 3.1.42	-	Intellectual Property

Schedule 3.1.43(a)	-	Software
Schedule 3.1.43(c)	-	Hardware, Telecommunications, Network Connections, Peripherals and Infrastructure
Schedule 3.1.43(d)	-	Disaster Recovery and Business Interruption
Schedule 3.1.44	-	Privacy
Schedule 3.1.45	-	Aircraft Leases
Schedule 3.1.49	-	Certificates of Registration
Schedule 3.1.51	-	Operation and Maintenance of Aircraft
Schedule 3.1.52	-	Damage and Repair to Aircraft
Schedule 3.1.54	-	Environmental Matters
Exhibit A	-	Plan of Arrangement
Exhibit B	-	Intentionally Deleted
Exhibit C	-	Forms of Releases
Exhibit D	-	Summary of Terms of Transitional Services Agreement
Exhibit E	-	Form of Non-Competition/Non-Solicitation/Confidentiality Agreement
Exhibit F	-	Intentionally Deleted
Exhibit G	-	Trade Mark License

ARTICLE 2
IMPLEMENTATION OF THE TRANSACTIONS

2.1 Cooperation of the Parties

The Parties shall cooperate in the taking of all such action as may be required in order to effect the transactions contemplated by this Agreement, and the obligations of the Principal Shareholder shall be to vote its Shares in support of the transactions contemplated herein and to perform its express covenants hereunder, which the Principal Shareholder hereby agrees to do, and to the extent its voting power so permits, make or cause the Corporation to make, reasonable efforts to complete and support the transactions contemplated hereunder. The Corporation will obtain and deliver to Holdco and Subco copies of the signed Support Letters no later than 5 Business Days after the date of this Agreement. The Corporation shall use commercially reasonable efforts to enforce the performance of those Support Letters that are not addressed to Holdco or its Affiliates

2.2 **The Arrangement**

The Parties hereby agree that, subject to receiving Required Shareholder Approval and the terms and conditions contained herein, the Arrangement shall be effected on the terms and conditions provided for in this Agreement and the Plan of Arrangement subject to such amendments as agreed to between the Parties. The Parties acknowledge that the Plan of Arrangement will allow Shareholders to have their Shares purchased directly by Holdco or converted into Preferred Shares and redeemed in accordance with the Preferred Share Conditions.

2.3 **Implementation Steps by the Corporation**

(a) The Corporation covenants in favour of Holdco and Subco that the Corporation shall take all steps reasonably required to:

(i) as soon as practicable following the execution and delivery of this Agreement and, unless otherwise agreed by the Parties, in any event not later than 10 Business Days after the date hereof, apply to the Court pursuant to and in accordance with Section 192 of the CBCA for the Interim Order in such form so as to allow that the Plan of Arrangement to be completed;

(ii) as soon as reasonably practicable call, convene and hold the Corporation Meeting in accordance with the Interim Order for the purpose of considering the Arrangement Resolution and, unless otherwise agreed by the Parties, in any event for the Corporation Meeting to be held on or before October 1, 2007, and in connection therewith complete and send the Meeting Materials to the Shareholders and other parties entitled thereto in accordance with the Interim Order, the by-laws of the Corporation and Applicable Law;

(iii) obtain the consent of PricewaterhouseCoopers to the inclusion of the Fairness Opinion in the Meeting Materials and include the Fairness Opinion in the Meeting Materials mailed to the Shareholders;

(iv) include in the Information Circular a recommendation of the Board of Directors of the Corporation to the Shareholders to approve the Arrangement Resolution and tender their Shares for redemption or purchase pursuant to the Plan of Arrangement, and such recommendation shall not be modified or withdrawn;

(v) except as required for quorum purposes, not adjourn, postpone or cancel (or propose for adjournment, postponement or cancellation) or fail to call the Corporation Meeting without Holdco's prior written consent, except as required by Applicable Law;

(vi) solicit from the Shareholders proxies in favour of the approval of the Arrangement Resolution in accordance with Applicable Law;

(vii) following receipt of the Required Shareholder Approval, the Corporation shall promptly take all steps necessary or desirable to submit the Arrangement to the Court and apply for the Final Order; in applying for the Final Order, the Corporation will seek to cause the terms thereof to be consistent with the provisions of this Agreement and will oppose any proposal from any party that the Final Order contain any provision materially inconsistent with this Agreement;

(viii) subject to obtaining the Final Order, and subject to the terms and conditions hereof and the Plan of Arrangement, deliver to the Director for filing the Articles of Arrangement and such other documents as may be required under the CBCA to give effect to the Arrangement and obtain the Certificate of Arrangement, such delivery to take place so that the Amalgamation of the Corporation and Subco pursuant to the Plan of Arrangement is effective at the Effective Time unless the Parties agree otherwise;

(ix) the Corporation shall promptly and diligently take all commercially reasonable action in accordance with Applicable Law to further the objectives of this Agreement, including implementation of the steps pursuant to this Section 2.3(a); and

(x) ensure that the LTU Holdback Amount is paid by the Corporation to the Escrow Agent on or prior to the Closing as required by and subject to the terms hereof and of the Escrow Agreement.

2.4 **Implementation Steps by Holdco and Subco**

Each of Holdco and Subco covenants in favour of the Principal Shareholder and the Corporation that Holdco shall:

(a) subject to the satisfaction or waiver of the conditions set forth in Section 5.1 and subject to the other terms and conditions of the Depository Agreement, deposit or cause to be deposited with the Depository, or as the Principal Shareholder, Minority Shareholder Representative and the Corporation may direct, in conjunction with the Closing, immediately available funds (the "**Holdco Funds**") equal to the aggregate Estimated Amount less the aggregate of the Amalco Funds and the Escrowed Amounts. The Holdco Funds will be reduced by the same proportion that the number of Shares held by Dissenting Shareholders, if any, who have maintained their Dissent Right bears to the Aggregate Number of Shares. Any and all interest earned on the Holdco Funds shall belong to Amalco and shall be paid by the Depository in accordance with the Depository Agreement. Subject to Section 4.1.6, Holdco will cause Amalco to deposit the Amalco Funds with the Depository in conjunction with the Closing;

(b) ensure that the Escrowed Amounts other than the LTU Holdback Amount are received by the Escrow Agent on or prior to Closing as required by and subject to the terms hereof and of the Escrow Agreement; and

(c) fully cooperate with the Corporation in filing Articles of Arrangement with the Director as provided in subsection (b)(viii) of Section 2.3, and any actions taken by the Corporation as provided for in subsection (b)(ix) of Section 2.3.

The Corporation and the Principal Shareholder acknowledge having been advised that, following the Amalgamation, Amalco will amalgamate with Holdco under the name "Skyservice Airlines Inc." and, for certainty, Amalco shall assume and be bound by all of the respective obligations of Holdco and Subco hereunder and under any Closing Document.

2.5 **Articles of Arrangement**

Upon the filing of the Articles of Arrangement, each holder of Shares but excluding any holder who has exercised its Dissent Right and is ultimately entitled to be paid the fair value of its Shares) shall have its Shares purchased by Holdco or receive one Preferred Share per Share, and such Shares will be purchased by Holdco or Preferred Shares will be redeemed by Amalco in accordance with the Plan of Arrangement and the Preferred Share Conditions. The steps of the Arrangement shall become effective in the order set out in the Plan of Arrangement. The Plan of Arrangement and the Preferred Share Conditions, as applicable, shall provide that the aggregate paid up capital for tax purposes of the Preferred Shares to be redeemed shall be an amount determined by Holdco, in its discretion, not to exceed the aggregate paid up capital of all of the Shares (other than Shares held by Dissenting Shareholders).

2.6 **Meeting and Court Materials**

Prior to execution of this Agreement, the Corporation has provided Holdco, or within 2 Business Days after the date hereof will provide Holdco, with drafts of the Meeting Materials and the Interim Order and the materials to be filed with the Court in support thereof for review and Holdco shall within 5 Business Days after the date hereof provide its comments thereon to the Corporation, which shall give reasonable consideration thereto. The final form and content of the Meeting Materials, Interim Order and Final Order shall be substantially in the form prepared by the Corporation and reviewed and commented on by Holdco (provided that, acting reasonably, the Corporation shall have ultimate discretion with respect thereto consistent with the provisions of this Agreement) and shall be in accordance with Applicable Law. After execution of this Agreement, the Corporation shall promptly complete the Information Circular, the Interim Order and the supporting materials relating thereto (and any amendments thereto) together with any other documents required in connection with the Corporation Meeting and the Arrangement. In addition, the Corporation shall cause all materials in connection with the Interim Order to be filed in a timely manner with the Court, and the Information Circular and other documentation required in connection with the Corporation Meeting to be sent to each Shareholder and to be filed with or submitted to applicable Governmental Authorities in a timely manner in accordance with Applicable Law.

2.7 **Effective Time**

The Amalgamation of the Corporation and Subco pursuant to the Plan of Arrangement shall become effective at the Effective Time.

2.8 **Dissenting Shareholders**

The Corporation shall give Holdco and Subco: (a) prompt notice of any written demand exercising the Dissent Right received by the Corporation prior to the Effective Time, any withdrawal of any such demand and any other demand, notice or instrument delivered to the Corporation prior to the Effective Time that relates to such demand; and (b) the opportunity to participate in all negotiations and proceedings with respect to any such demand, notice or instrument prior to the Closing Time, and any payment or any commitment to make a payment to settle a Dissenting Shareholder's Claim shall be subject to Holdco's prior approval, not to be unreasonably withheld or delayed. Any accruals in respect of incremental costs (as described in Section 6.1(d)) relating to the settlement of claims of Dissenting Shareholders prior to the Effective Time shall be taken into account in determining Estimated Closing Working Capital and Closing Working Capital. After Closing, the Principal Shareholder, the Minority Shareholder Representative and Amalco shall work together in good faith and fully co-operate with respect to all negotiations and proceedings with Dissenting Shareholders, and Amalco will follow the process provided for in Section 190 of the CBCA, including, if required, applying to the Court under subsection 190(15) thereof. Amalco may not make any offer to Dissenting Shareholders or settle any Dissent Rights without the prior written approval of the Principal Shareholder and the Minority Shareholder Representative, not to be unreasonably withheld or delayed.

2.9 **Initial Payment**

Subject to the terms of this Agreement, the total amount payable for the Aggregate Number of Shares to be purchased or redeemed pursuant to the Plan of Arrangement is $82,000,000 in aggregate (the "**Initial Payment**") and is subject to adjustment as provided in this Agreement including Sections 2.10, 2.11, 2.13, 4.3.5 and, if applicable, 5.1.14.

2.10 **Estimated Closing Working Capital**

As soon as practicable prior to Closing, and in any event no less than 3 Business Days prior to the Closing Date, the Corporation shall, acting reasonably and in good faith, provide to Holdco an estimate of the Closing Working Capital (the "**Estimated Closing Working Capital**"). If the Estimated Closing Working Capital is:

(a) less than $8,152,000, the Initial Payment shall be reduced by $1.00 for each $1.00 by which the Estimated Closing Working Capital is less than $8,152,000, provided that $1,152,000 of the Estimated Closing Working Capital shall constitute the LTU Holdback Amount and shall be paid to the Escrow Agent; or

(b) greater than $8,152,000, the Initial Payment shall be increased by $1.00 for each $1.00 by which the Estimated Closing Working Capital is greater than $8,152,000, provided that $1,152,000 of the Estimated Closing Working Capital shall constitute the LTU Holdback Amount and shall be paid to the Escrow Agent;

and the sum of the Purchase Price and the Redemption Price for the Aggregate Number of Shares as a result of such adjustment shall hereinafter be referred to as the "**Estimated Purchase Price**" and the "**Estimated Redemption Amount**", respectively. The Estimated Amount, less the

Escrowed Amounts, (other than the LTU Holdback Amount which shall have been previously paid to the Escrow Agent as provided herein) shall be paid to the Shareholders in accordance with the Plan of Arrangement and the Preferred Share Conditions and, where applicable (including in respect of Holdco Funds and the Amalco Funds to be deposited with the Depository under Section 2.4) shall be reduced by the same proportion that the Shares held by Dissenting Shareholders, if any, who have maintained their Dissent Right bears to the Aggregate Number of Shares.

2.11 Escrowed Amounts

(a) At the Closing Time, the Corporation and Holdco shall pay, or cause the payment of, the Escrowed Amounts to the Escrow Agent to be held in accordance with the terms of this Section 2.11 and the Escrow Agreement.

(b) The Holdback Amount shall be retained by the Escrow Agent as provided for in the Escrow Agreement. The Holdback Amount shall be the sole recourse of Holdco and Amalco and their respective Representatives in connection with Claims made in respect of the Business Representations and Warranties or for any Claims for indemnification under Section 6.1. The Letter of Transmittal shall include, amongst other things, an acknowledgment by the Minority Shareholders that they shall be bound by the provisions of the Escrow Agreement and any payment from the Holdback Amount to Amalco pursuant to the terms thereof and hereof. Within 10 Business Days of such date as is 21 months following the Closing Date, $3,000,000 of the Holdback Amount plus interest accrued thereon, less the amount of Claims that have been disposed of in favour of Amalco and/or are pending and less any incremental costs referred to in Section 6.1(d), shall be paid to the Shareholders (other than Shareholders who have exercised Dissent Rights) pro rata in accordance with their respective holdings of Shares. The unpaid remainder of the Holdback Amount plus interest accrued thereon, less, without duplication, the amount of Claims that have been disposed of in favour of Amalco and/or are pending and less, without duplication, any incremental costs referred to in Section 6.1(d) shall be paid to Shareholders (other than Shareholders who have exercised Dissent Rights) pro rata as aforesaid within 10 Business Days after expiry of the earlier of (1) expiry of the last applicable limitation period under the applicable federal tax legislation in respect of any taxation year or period ending on or prior to the Closing Date; and (ii) 5 years from the Closing Date. If a portion of the Holdback Amount is held back beyond the applicable payment date due to a pending Claim that is subsequently disposed of in favour of the Shareholders, the applicable amount plus interest accrued thereon, will be paid to the Shareholders (other than Shareholders who have exercised Dissent Rights) pro rata as aforesaid forthwith following such disposition.

(c) The Working Capital Holdback Amount shall be retained by the Escrow Agent until the Adjustment Date and paid out as follows:

(i) in the event of a Positive Working Capital Adjustment (in addition to the payment to be made by Amalco under Section 2.13(a)) the Escrow Agent shall pay the full amount of the Working Capital Holdback Amount together with interest accrued thereon, as directed as provided for in the

Escrow Agreement by the Principal Shareholder and Minority Shareholder Representative on behalf of the Shareholders who have not exercised and maintained their Dissent Right, in proportion to the number of Shares held by such Shareholders; and

(ii) in the event of a Negative Working Capital Adjustment, the Escrow Agent shall pay the Working Capital Holdback Amount up to the amount equal to the amount of such Negative Working Capital Adjustment to Amalco, or as Amalco may in writing direct, and any portion of the Working Capital Holdback Amount remaining together with interest accrued thereon shall be paid in the manner set out in clause (i) above.

(d) The LTU Holdback Amount shall be paid by the Corporation to the Escrow Agent prior to the Closing Time, and shall be paid by the Escrow Agent as follows:

(i) unless Amalco has provided written notice (a "**Default Notice**") to the Escrow Agent and the Principal Shareholder and Minority Shareholder Representative that LTU is in default in any payment due to Amalco (as successor to the Corporation) under the LTU Sublease, on each of the first, second and third anniversaries of the Closing Date, one third of the LTU Holdback Amount (and any interest thereon) shall be paid to the Shareholders, other than Dissenting Shareholders, in proportion to the number of Shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholders; and

(ii) in the event that Amalco has provided a Default Notice as set out above, the then remaining amount of the LTU Holdback Amount will be paid to Amalco. The Principal Shareholder and the Minority Shareholder Representative shall be entitled to receive from Amalco full particulars of the default giving rise to the Default Notice.

Notwithstanding the foregoing, prior to delivering a Default Notice Amalco shall make all reasonable commercial efforts and take all reasonable commercial steps, based on the advice of counsel, to collect all amounts due and owing by LTU under the LTU Sublease having regard to any applicable cure periods provided hereunder, such efforts and steps to be no less than Amalco would take in respect of a default under its other Aircraft subleases.

(e) The Additional Holdback Amount shall be paid to the Escrow Agent and retained and paid out by the Escrow Agent in accordance with the Escrow Agreement as follows:

(i) unless Amalco (as successor to the Corporation) has provided written notice (a "Notice") to the Escrow Agent on or before the fifth Business Day of May 2008 indicating that, (1) an existing Tour Operator (the "TO") has ceased to carry on business for any reason, (2) the TO has ceased to pay amounts owing to Amalco pursuant to its Tour Operator Agreement

with Amalco, (3) the TO's Tour Operator Agreement has been terminated and the business relationship between Amalco and TO has come to an end, in each case prior to the end of the winter season commencing on or about November 1, 2007 and terminating on April 30, 2008, the Escrow Agent shall release and pay 50% of the Additional Holdback Amount (and any interest thereon) (the "Operations Tranche") to the Shareholders, other than Dissenting Shareholders, in proportion to the number of Shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholders. If a Notice is sent to the Escrow Agent, the Principal Shareholder and the Minority Shareholder Representative, together with a statutory declaration of an officer of Amalco, stating that an event or events set out in clauses (i)(1), (2) and/or (3) has occurred the Escrow Agent shall release the Operations Tranche to Amalco on or before the fifth Business Day of May, 2008;

(ii) Unless Amalco (as successor to the Corporation) has provided written notice (the "First EBITDA Notice Letter") to the Escrow Agent within 5 Business Days after the audited financial statements of Amalco for the period ended April 30, 2008 are received by it stating that the TO's programs for the period from November 1, 2007 to April 30, 2008 have not contributed a minimum of $1,000,000 to Amalco's EBITDA for such period, the Escrow Agent shall, within 5 Business Days after the determination of such EBITDA contribution is made and in no event later than July 31, 2008, release and pay, in addition to the 50% referred to in (i) above, 25% of the Additional Holdback Amount (and any interest thereon) (the "First EBITDA Amount") to the Shareholders, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholders;

(iii) Unless Amalco (as successor to the Corporation) has provided written notice (the "Second EBITDA Notice Letter") to the Escrow Agent within 5 Business Days after the audited financial statements of Amalco for the period ended April 30, 2009 are received by it stating that the programs of the TO for the period from May 1, 2008 to April 30, 2009 have not contributed a minimum of $1,000,000 to Amalco's EBITDA for such period, the Escrow Agent shall, within 5 Business Days after the determination of EBITDA contribution is made and in no event later than July 31, 2009, release and pay the remaining amount of the Additional Holdback Amount (and any interest thereon) (the "Second EBITDA Amount") to the Shareholders, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholders;

(iv) If the TO's programs fail to contribute a minimum of $1,000,000 to Amalco's EBITDA as contemplated in clause (ii) above for the period November 1, 2007 to April 30, 2008, but the aggregate contribution to Amalco's EBITDA from Amalco's operations in connection with the TO's programs for the two periods November 1, 2007 to April 30, 2008 and May 1, 2008 to April 30, 2009 equals or exceeds $2,000,000, as determined and payable in accordance with clauses (ii) and (iii) above, mutatis mutandis, the Escrow Agent shall release and pay, in addition to and at the same time as the Second EBITDA Amount, the First EBITDA Amount to the Shareholders, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholders;

(v) If the TO's programs fail to contribute a minimum of $1,000,000 to Amalco's EBITDA as contemplated in clause (iii) above for the period May 1, 2008 to April 30, 2009, but the aggregate contribution to Amalco's EBITDA from the TO's programs for the two periods November 1, 2007 to April 30, 2008 and May 1, 2008 to April 30, 2009 equals or exceeds $2,000,000, as determined and payable in accordance with clauses (ii) and (iii) above, mutatis mutandis, the Escrow Agent shall release and pay the Second EBITDA Amount to the Shareholders, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholders;

(vi) Notwithstanding anything to the contrary in the foregoing, in the event that the TO's programs for the period November 1, 2007 to April 30, 2008 have contributed a minimum of $2,000,000 to EBITDA for such period the Escrow Agent shall release and pay, in addition to and at the same time as the First EBITDA Amount, the Second EBITDA Amount to the Shareholders, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on behalf of such Shareholder. If (A) all of Amalco's operations for the period November 1, 2007 to April 30, 2008, in the aggregate, have contributed $1,000,000 or more in excess of Amalco's budgeted total EBITDA in the amount to be determined by the Parties for the said period, or (B) Amalco's actual total EBITDA for the period November 1, 2007 to October 31, 2008 exceeds the budgeted total EBITDA determined by the Parties for the same period by $1,000,000, the Escrow Agent shall release and pay the Second EBITDA Amount (but not the First EBITDA Amount) to the Shareholders, other than Dissenting Shareholders, in proportion to the number of shares held by such Shareholders, as directed as provided for in the Escrow Agreement by the Principal Shareholder and the Minority Shareholder Representative on

behalf of such Shareholders. All calculations pursuant to this clause (vi) shall be determined in accordance with the foregoing clauses of this Section 2.11(e);

(vii) For the purposes of this Section 2.11(e) EBITDA shall, in all events, exclude interest earned by the Corporation and its Subsidiaries on cash balances. Further, for greater certainty, the maximum portion of the Additional Holdback Amount that the Shareholders shall be entitled to receive, if earned pursuant to clauses (ii) through (v) above, shall be $2,000,000 in aggregate.

(viii) If Amalco sends a First EBITDA Notice Letter and/or a Second EBITDA Notice Letter, the following provisions shall apply:

I. the parties agree that the applicable EBITDA contributed by the TO's programs for the applicable period shall be determined based on the audited financial statements of Amalco for such period (excluding interest earned on cash balances as provided in clause (vii) above). If the financial year of Amalco does not end on April 30th, then the parties agree, acting reasonably, to determine the applicable EBITDA on the basis of internally generated financial statements for the applicable periods and which are reviewed by Amalco's auditors. Such determinations shall be final and binding on the Parties. All incremental costs incurred in connection with the preparation of all of the financial statements and calculations of EBITDA segmented to show the TO's contribution to EBITDA which are required or contemplated by this Section 2.11(e) shall be shared by Amalco and the Shareholders equally;

II. if, on the basis of the EBITDA determined in accordance with the foregoing provisions of this Section 2.11(e), the thresholds to be met, whether on the basis of a single period or cumulative periods, in order for the First EBITDA Amount and/or the Second EBITDA Amount to be released and paid to the Shareholders are not met, then the First EBITDA Amount and/or the Second EBITDA Amount, as the case may be, shall be released by the Escrow Agent and paid to Amalco only after the Second EBITDA Amount has been determined in accordance with the terms hereof and as directed as provided for herein and in the Escrow Agreement.

(ix) The funds constituting the Additional Holdback Amount have been placed in escrow pursuant to the Escrow Agreement for the purposes set out in this Section 2.11(e) and may not be used for any other purpose. In particular neither Holdco, Subco or Amalco may make any claim against the Additional Holdback Amount other than pursuant to this Section 2.11(e) and the Escrow Agreement.

(x) The Parties agree that if any event or events set out in clauses (i)(1), (2) or (3) occurs before the Closing, neither Holdco nor Subco shall have the right to terminate the Arrangement Agreement for that reason alone nor shall Holdco or Subco have the right to make any Claim against the Holdback Amount for any Losses resulting from or in connection with such event, Holdco's and Subco's only recourse in such event in respect of the matters contemplated by this Section 2.11(e) shall be as set out in this section. The Parties also agree that if any event or events set out in clauses (i) (1), (2) or (3) occurs after the Closing, Amalco's only recourse in respect of the matters contemplated by this Section 2.11(e) shall be as set out in this section.

(xi) If the Operations Tranche is released to Amalco pursuant to clause (i) above, the amount thereof shall not be included in the EBITDA of Amalco for the purposes of determining the entitlement of the Shareholders to the balance of the Additional Holdback Amount.

(f) All amounts paid to Amalco from the Escrowed Amounts (other than the LTU Holdback Amount) shall be treated as a reduction in the Purchase Price and Redemption Price, as applicable. Any Positive Working Capital Adjustment and payments to the Shareholders from the LTU Holdback Amount shall be treated as an increase of the Purchase Price or the Redemption Price, as applicable.

2.12 **Preparation of Closing Balance Sheet**

2.12.1 **Initial Preparation**

Promptly after the Closing Time, Amalco shall prepare a consolidated balance sheet of the Corporation and the Subsidiaries as at 12:01 am on the Closing Date (the "**Closing Balance Sheet**") and a calculation of Closing Working Capital at that time. The Closing Balance Sheet and calculation of Closing Working Capital shall be delivered to the Principal Shareholder and the Minority Shareholder Representative no later than the 60th day following the Closing Date. Amalco shall permit representatives of the Principal Shareholder, Minority Shareholder Representative and the Principal Shareholder's auditors to be present at the procedures used in the preparation of the draft Closing Balance Sheet and calculation of Closing Working Capital and to comment thereon and shall provide such representatives promptly with copies of all working papers created in connection therewith. If neither the Minority Shareholder Representative, nor the Principal Shareholder give a notice of disagreement in accordance with Subsection 2.12.2, the Minority Shareholder Representative, the Principal Shareholder and Amalco shall be deemed to have accepted such Closing Balance Sheet and calculation of the Closing Working Capital which shall be final and binding on the Parties and the Minority Shareholders and such calculation of Closing Working Capital shall constitute the Closing Working Capital for purposes of this Agreement immediately following the expiry date for the giving of such notice of disagreement. Absent a material disagreement between the Principal Shareholder and the Minority Shareholder Representative with respect to any item comprising the Closing Working Capital, a written notice of which is provided by them to Amalco, the failure of either the Principal Shareholder or the Minority Shareholder Representative to give a

notice of disagreement in accordance with Subsection 2.12.2 shall be deemed to constitute the acceptance by both the Principal Shareholder and the Minority Shareholder Representative of the Closing Balance Sheet and the calculation of the Closing Working Capital which shall be final and binding on the Parties as provided above. For certainty, except as otherwise expressly stated herein, the Closing Working Capital shall be calculated on the basis of the same asset and liability classifications, using consistent generally accepted accounting principles including the same valuation methodology as applied in the sample working capital calculation attached hereto as Schedule 2.12.1 and as set out in the definition of Closing Working Capital. The Letter of Transmittal shall include an acknowledgment by the Minority Shareholders that they shall be bound by the determination of the Closing Working Capital pursuant to this Agreement.

2.12.2 **Dispute Settlement**

If both the Principal Shareholder and the Minority Shareholder Representative disagree with any item in the Closing Balance Sheet or the calculation of the Closing Working Capital prepared pursuant to Subsection 2.12.1, they shall give notice to Amalco of such disagreement no later than 15 Business Days after receipt of such Closing Balance Sheet and calculation of the Closing Working Capital. Any notice of disagreement shall set forth in reasonable detail the particulars of, including the quantum of, such disagreement, if determinable. Amalco, the Principal Shareholder and the Minority Shareholder Representative shall then use reasonable efforts to resolve such disagreement for a period of 30 days following the receipt of such notice. If the matter is not resolved by the end of such 30 day period, then such disagreement shall be submitted by the Parties (being for the purpose of this Subsection 2.12.2, Amalco, the Principal Shareholder and the Minority Shareholder Representative) to an accounting firm of recognized national standing in Canada which is independent of the Parties (the "**Independent Accountant**"). If the Parties are unable to agree on the Independent Accountant within a further 15 day period, any Party may apply to have a court appoint such accounting firm. The Independent Accountant shall, as promptly as practicable (but in any event within 45 days following its appointment), make a determination of the Closing Working Capital, based solely on written submissions submitted by the Principal Shareholder, the Minority Shareholder Representative and Amalco to the Independent Accountant. The decision of the Independent Accountant as to the Closing Working Capital shall be final and binding upon the Parties and shall constitute the Closing Working Capital for purposes of this Agreement. Amalco shall pay one-half of the fees and expenses of the Independent Accountant with respect to the resolution of the dispute and the other half shall be paid by or on behalf of the Shareholders.

Contemporaneous with the submission of the disputed matter to the Independent Accountant, at the joint request of the Principal Shareholder and the Minority Shareholder Representative, Amalco, the Principal Shareholder and the Minority Shareholder Representative shall direct the Escrow Agent to pay out to the Shareholders (other than the Dissenting Shareholders), in the manner described by Section 2.11(c)(i), an amount equal to the Working Capital Holdback Amount less the amount of a Negative Working Capital Adjustment to the extent quantifiable as would result from a determination of the disputed matter in favour of Amalco. Any such payments shall, accordingly, reduce payments to the Shareholders on the Adjustment Date pursuant to Section 2.11(c).

2.13 **Working Capital Adjustment Payment**

On the Adjustment Date:

(a) Amalco shall pay to the Principal Shareholder and to the Minority Shareholder Representative on behalf of the Minority Shareholders or as they shall direct in proportion to the number of Shares held by the Shareholders who have not exercised and maintained their Dissent Right, but after withholding the proportionate amount due to any Dissenting Shareholder, the amount, if any, by which the Closing Working Capital exceeds the Estimated Closing Working Capital (a "**Positive Working Capital Adjustment**"), and shall direct the Escrow Agent to pay the Working Capital Holdback Amount as set out in Section 2.11(c)(i); or

(b) the Principal Shareholder and the Minority Shareholder Representative shall direct the Escrow Agent to pay out of the Working Capital Holdback Amount, to Amalco the amount, if any, by which the Estimated Closing Working Capital exceeds the Closing Working Capital after reducing such excess by the proportionate amount representing the Shares of Dissenting Shareholders (a "**Negative Working Capital Adjustment**"), and such payment by the Escrow Agent shall constitute a reduction of the Purchase Price of the Shares or the Redemption Price as the case may be;

and any payment to be made pursuant to this Section 2.13 shall be made by certified cheque, bank draft or wire transfer of immediately available funds to an account specified by the payee, together with interest thereon. The Minority Shareholders shall be bound by any adjustment pursuant to this Section 2.13 to the Purchase Price and the Redemption Price. For certainty, the Working Capital Holdback Amount will be the only source of funds to satisfy any liability to Amalco arising pursuant to paragraph (b) above.

2.14 **Place of Closing**

The Closing shall take place at the Closing Time at the offices of Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, or at such other place as may be agreed upon by the Principal Shareholder, the Minority Shareholder Representative and Holdco.

2.15 **Section 116 Income Tax Act**

(a) Except where Holdco, the Corporation or the Depository has received from a Non-Resident Shareholder on or before Closing a certificate issued by the Minister of National Revenue under section 116 of the *Income Tax Act*, with an appropriate certificate limit, the Depository (on behalf of, as applicable, Holdco, or Amalco) shall be entitled to withhold, from the Purchase Price or the Redemption Price (based on the Estimated Amount) payable to a Non-Resident Shareholder an amount equal to the aggregate potential liability of Holdco or Amalco, as applicable, pursuant to section 116 of the *Income Tax Act* in respect of the Purchase Price or Redemption Price payable to such Non-Resident

Shareholder. The amount so withheld shall then be paid to the Section 116 Escrow Agent to be held and paid in accordance with the Section 116 Escrow Agreement. The Section 116 Escrow Agreement shall permit the Section 116 Escrow Agent to pay the amount determined pursuant to this Section 2.15(a) to the applicable taxation or receiving authority pursuant to Section 116 of the *Income Tax Act* (Canada).

(b) Where the Depository has withheld any amount under the provisions of subsection (a) and the Non-Resident Shareholder delivers to the Depository, Holdco or Amalco, as applicable, after the Closing and before 12:00 noon (Toronto time) on the date which is 28 days after the end of the month in which the Closing occurs or within such longer period as may be specified in appropriate comfort letters received from the Canada Revenue Agency ("**CRA**"), appropriate certificates issued by the Minister of National Revenue under section 116 of the *Income Tax Act*, the Depository, Holdco or Amalco, as applicable, shall advise the Section 116 Escrow Agent to pay forthwith to the applicable Non-Resident Shareholder any amount that the Depository has withheld and paid to the Section 116 Escrow Agent, and that the Section 116 Escrow Agent is not required to pay to the Receiver General for Canada in accordance with subsection (a) above, and the amount so paid shall be credited to Holdco or Amalco, as applicable, as payment on account of the Purchase Price or Redemption Price payable to such Non-Resident Shareholder pursuant to the Plan of Arrangement or the Preferred Share Provisions.

(c) Where the Depository has withheld any amount under the provisions of subsection (a) and no certificate has been delivered to the Depository, Holdco or Amalco by the Non-Resident Shareholder in accordance with the provisions of subsection (b), such amount shall be paid by the Section 116 Escrow Agent to the Receiver General for Canada on the later of (i) the 30th day after the end of the month in which the Closing occurs and (ii) the date specified by CRA following receipt of a comfort letter referred to in (b) above, on account of the applicable Non-Resident Shareholder's liability pursuant to section 116 of the *Income Tax Act* and the amount so paid shall be credited to Holdco or Amalco as payment on account of the Purchase Price or Redemption Price payable to such applicable Non-Resident Shareholder.

(d) All amounts withheld by the Depository in accordance with this Section 2.15 shall be paid to and held by the Section 116 Escrow Agent, in trust, and invested by it in 7 day term deposits with a Canadian Chartered bank until paid to the applicable Non-Resident Shareholder or the Receiver General for Canada in accordance with this Section 2.15 and the terms of the Section 116 Escrow Agreement, and the Section 116 Escrow Agent shall be entitled to withhold from interest earned on such amounts any and all amounts required to be withheld and remitted from such interest by any law and to remit same to the appropriate Governmental Authority.

(e) In the event of a Positive Working Capital Adjustment or any other payment required to be made to Shareholders hereunder, the foregoing procedures shall, if

applicable, govern *mutatis mutandis*, the portion thereof payable to the Non-Resident Shareholders.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Corporation in Respect of the Corporation and the Business

The Corporation hereby represents and warrants to Holdco and Subco as set out in this Section 3.1 and acknowledge that Holdco and Subco are relying on such representations and warranties in connection with the transactions contemplated in this Agreement.

3.1.1 Incorporation and Organization of the Corporation and the Subsidiaries

The Corporation is a corporation duly incorporated and is organized and subsisting under the laws of Canada and the Subsidiaries are corporations duly incorporated and are organized and subsisting under the laws of their respective jurisdiction of incorporation. No proceedings have been taken or authorized by the Corporation or the Subsidiaries with respect to the bankruptcy, insolvency, liquidation, dissolution or winding up of the Corporation or the Subsidiaries or with respect to any amalgamation, merger, consolidation, arrangement or reorganization of, or relating to, the Corporation (other than in connection with the transactions contemplated in this Agreement) or any Subsidiary nor, to the knowledge of the Corporation, have any such proceedings been taken by any other Person. True and complete copies of the Articles of the Corporation and all by-laws of the Corporation are contained in the minute book of the Corporation made available to Holdco or any of its Affiliates and true and complete copies of the Articles and by-laws of the Subsidiaries are contained in the minute books of the Subsidiaries made available to Holdco or any of its Affiliates. The Articles of the Corporation and the Articles of the Subsidiaries and the by-laws of the Corporation and of the Subsidiaries constitute all of the Articles and by-laws of the Corporation and the Subsidiaries respectively, are complete and correct and are in full force and effect. Except as disclosed in Schedule 3.1.1, there are no shareholders' agreements or unanimous shareholders' agreements governing the affairs of the Corporation or the Subsidiaries or the relationship, rights and duties of their respective shareholders nor are there any voting trusts, pooling arrangements or other similar agreements with respect to the ownership or voting of any shares of the Corporation or the Subsidiaries. Schedule 3.1.1 sets out the dates of the Articles of the Corporation and of the Articles of the Subsidiaries and of any amendment thereto. No articles of amendment have been filed or authorized by the shareholders of the Corporation or the Subsidiaries since the dates set forth in Schedule 3.1.1 with respect to the Corporation and the Subsidiaries.

3.1.2 Corporate Records

Copies of the minute books of the Corporation and the Subsidiaries and other corporate records made available to Holdco or any of its Affiliates for review have been maintained in accordance with Applicable Law and contain, without limitation, complete and accurate copies of all by-laws of the Corporation and the Subsidiaries and minutes of all meetings of, and resolutions passed by, the shareholders and directors since the respective dates

of amalgamation of the Corporation and incorporation of the Subsidiaries. All such meetings were duly called and held and all such by-laws and resolutions were duly passed or enacted. The share certificate book, register of shareholders, register of transfers and register of directors of the Corporation and the Subsidiaries are complete, accurate and current.

3.1.3 Qualification of the Corporation and the Subsidiaries to do Business

The Corporation and each of the Subsidiaries has the necessary corporate power, authority and capacity to own or lease and use its property and assets and to carry on the Business as now being conducted by it and is registered, licensed or otherwise qualified to carry on the Business in each jurisdiction in which the nature of the Business as carried on by it or the property or assets owned or leased or used by it makes such qualification necessary. The respective jurisdictions in which the Corporation and the Subsidiaries own or lease property or assets or carries on Business is set forth in Schedule 3.1.3. Each of the Corporation and each of the Subsidiaries possess all material Licences required for it to conduct the portion of the Business it conducts and all such licences are listed in Schedule 3.1.3. The Corporation and the Subsidiaries have at all times and in all material respects carried on the Business in accordance with Applicable Law.

3.1.4 Conflicting Instruments

Subject to obtaining Consent and Regulatory Approvals referred to in Sections 5.1.4 and 5.1.6, neither the entering into of this Agreement by the Parties, nor the entering into of any agreement or other instrument contemplated hereby nor the completion of the transactions herein contemplated nor the performance by the Corporation of its obligations hereunder will: (a) conflict with, or result in the breach or violation of or default under, or cause the acceleration of any obligations of the Corporation under, any of the terms and provisions of (i) any Applicable Law, (ii) the Articles of the Corporation or its by-laws or the Articles or by-laws of the Subsidiaries or any resolution of the directors or shareholders of the Corporation or the Subsidiaries; or (iii) subject to obtaining any Consent or Regulatory Approval which may be required thereunder in connection with the completion of the transactions herein contemplated, any Licence, Order or agreement, contract or commitment, written or oral to which either of the Corporation or the Subsidiaries is a party or by which any of them is bound including the Tour Operator Agreements, the Lease, the Aircraft Leases or the Equipment Leases, (b) relieve any other party to any Contract, Tour Operator Agreements, Lease, Aircraft Leases or Equipment Lease of that party's obligations thereunder or enable it to terminate its obligations thereunder; (c) cause the Corporation or any of the Subsidiaries to lose any rights under any Contract, Lease, Aircraft Leases or Equipment Lease or any right to a government grant or tax credit or refund which it presently receives or has applied for; or (d) result in the creation of any lien or encumbrance on any of the property or assets of the Corporation or any of the Subsidiaries (which for certainty, will not apply to any lien or encumbrance created as a result of financing by Holdco, Subco or Amalco).

3.1.5 Authorized and Issued Capital

The authorized capital of the Corporation consists of an unlimited number of Class A Shares and an unlimited number of Class B Shares, of which 38,036,356 Class A Shares

and 1,973,942 Class B Shares have been validly issued and are outstanding as fully paid and non-assessable shares. Schedule 3.1.5 sets out the names of the current Shareholders and the number and class of Shares currently held as shown on the share register of the Corporation. The authorized and issued share capital of the Subsidiaries is set forth in Schedule 3.1.5. The Corporation is the registered and beneficial owner of all of the issued shares of the Subsidiaries free and clear of any Encumbrance, except for Permitted Encumbrances, no shares or other securities have been issued by the Subsidiaries and all of the issued shares of the Subsidiaries have been validly issued and are outstanding as fully paid and non-assessable shares.

3.1.6 **Investments**

The Corporation has no subsidiaries (as defined in the CBCA) other than the Subsidiaries and does not own, directly or indirectly, any shares in the capital of any body corporate other than the Subsidiaries nor does it have any equity or ownership interest in any other business or Person and has not agreed to acquire any subsidiaries or any such shares or other equity ownership or interest. Except as described in Schedule 3.1.6, neither the Corporation nor the Subsidiaries are subject to any obligation or requirement to provide funds to or to make any investment in any business or Person by way of loan, capital contribution or otherwise.

3.1.7 **No Obligation to Issue Securities**

Except as set forth in Schedule 3.1.7, there are no agreements, options, warrants, rights of conversion or other rights pursuant to which the Corporation or the Subsidiaries are, or may become, obligated to issue any shares or other securities.

3.1.8 **Regulatory Approvals and Consents**

Except as set forth in Schedule 3.1.8, no Regulatory Approval or Consent, or registration or filing with, notice to, or waiver from any Governmental Authority or other Person is required to be obtained or made by the Corporation or the Subsidiaries: (a) in connection with the consummation of the transactions contemplated hereby; (b) to maintain or avoid the loss of any material Licence relating to the Business; or (c) to permit the Corporation or the Subsidiaries to carry on the Business after the Closing substantially as the Business is currently carried on by the Corporation.

3.1.9 **Books and Records**

(a) All Books and Records which the Corporation, as a result of discussions with, and having regard to the requests for information by, Holdco and its Affiliates and their respective financial, legal and accounting advisors, believes, acting reasonably, are necessary to fully evaluate the Business and operations of the Corporation and its Subsidiaries, other than minor items that a purchaser would not expect to review in the course of due diligence, have been made available to Holdco or its Affiliates. All material financial transactions of the Corporation and the Subsidiaries have been accurately recorded in the Accounting Records, and the Accounting Records accurately reflect the basis for the financial condition and the revenues, expenses and results of operations of the Corporation and the Subsidiaries as of and to the date of each of the respective Accounting Records.

Subject to paragraph (b) below, all Books and Records are in the full possession and exclusive control of and are owned exclusively by the Corporation or the Subsidiaries and are not dependent upon any computerized or other system or device that is not owned, licensed or and controlled by the Corporation or the Subsidiaries, except for offsite IT operations centre, details of which have been provided to Holdco or any of its Affiliates.

(b) Except for those related to Aircraft which are not in the care, custody and control of the Corporation, and except for those located on an Aircraft, the Aircraft Records are in the full possession and exclusive control of the Corporation or the Subsidiaries, and are not dependent upon any computerized or other system or device that is not owned by, licensed or controlled by the Corporation or the Subsidiaries, except for offsite IT operations centre, details of which have been provided to Holdco or its Affiliates.

3.1.10 **Financial Statements, etc.**

The Audited Financial Statements are complete and correct, have been prepared in accordance with generally accepted accounting principles (subject to usual year-end adjustments in the case of financial statements for interim periods) applied on a basis consistent with those of preceding periods and present fairly and accurately:

(a) all of the assets, liabilities (whether accrued, absolute, contingent, matured or unmatured or otherwise) and the financial condition of the Corporation and the Subsidiaries required by GAAP to be included thereon; and

(b) the revenues, earnings and results of operations of the Corporation on a consolidated basis;

in each case as of the date and throughout the period indicated.

3.1.11 **Maintenance Reserves**

The Corporation makes appropriate provision and reserves for all scheduled maintenance liabilities and obligations for each Aircraft in accordance with Applicable Law, its Aircraft Leases and its past practice. The internal maintenance reserves are free and clear of all Encumbrances except for Permitted Encumbrances. No Governmental Authority having jurisdiction over the Corporation is disputing or has disputed the manner and methods employed by the Corporation in determining and maintaining the maintenance reserves. Holdco and Subco acknowledge that they are satisfied with the methodology used for the calculation of maintenance reserves in the Audited Financial Statements.

3.1.12 **Tour Operators and Related Matters**

All arrangements made by the Corporation in respect of the Tour Operator Deposits as well as all payments and disbursements of such Tour Operator Deposits are in compliance with Applicable Law. All currently outstanding letters of credit, deposits and similar instruments issued or paid by or on behalf of the Corporation in connection with the programs it

operates for the Tour Operators and other aspects of the Business, copies of which have been provided or are required to be provided to the CTA, as required by Applicable Law, are listed and described in Schedule 3.1.12, such letters of credit, deposits and similar instruments comply with Applicable Law, and no draws or calls have been made under any such letters of credit or similar instalments and none of the deposits have been forfeited in whole or in part. The Corporation is not required to issue or post any cash collateral or other security which has not already been issued or posted in respect of any of the letters of credit, deposits or similar instruments listed and described in Schedule 3.1.12 other than as set out in Schedule 3.1.12. All currently outstanding letters of credit, deposits or similar instruments issued on behalf of the Tour Operators for the benefit of the Corporation in respect of obligations under the Tour Operator Agreements are in accordance with Applicable Law. Such letters of credit, deposits and similar instruments are non-cancellable by their terms, have been provided to their respective recipients in compliance with Applicable Law, and no draws or calls have been made thereunder and no forfeitures have occurred in respect thereof.

3.1.13 **No Material Change**

Since April 30, 2007, there has been no change in the Business or in the operations, affairs, or condition (financial or otherwise) of the Corporation, including any such change arising as a result of any change in Applicable Law, revocation of any Licence or as a result of fire, explosion, accident, casualty, labour problem, flood, drought, riot, storm, act of God or otherwise, except for changes occurring in the ordinary course of business, or affecting the travel business generally which, either individually or in the aggregate, have not and will not have a Material Adverse Effect on the Corporation.

3.1.14 **No Liabilities**

Except as disclosed in Schedule 3.1.14, neither the Corporation nor the Subsidiaries has any liabilities (whether accrued, absolute, contingent or otherwise, matured or unmatured) except:

(a) liabilities disclosed on, reflected in or provided for in the Audited Financial Statements;

(b) liabilities disclosed or referred to in this Agreement; and

(c) liabilities incurred in the ordinary course of business and attributable to the period since April 30, 2007, which are not, either individually or in the aggregate, materially adverse to the Business, or to the operations, affairs, prospects or condition (financial or otherwise) of the Corporation or the Subsidiaries.

3.1.15 **Business Carried on in Ordinary Course**

Except as set forth in Schedule 3.1.15, since April 30, 2007, the Business has been carried on in all material respects in the ordinary course, consistent with past practice and, in particular and without limitation, the Corporation and the Subsidiaries have not:

(a) transferred, assigned, sold or otherwise disposed of any of its material assets except in the ordinary course of Business;

(b) incurred or assumed any material obligation or liability (fixed or contingent) other than obligations or liabilities included in the Audited Financial Statements and liabilities incurred since April 30, 2007 in the ordinary course of Business;

(c) settled any Legal Proceeding pending against it or any of its assets;

(d) made any material change in the method of billing to or payment from customers or the credit terms made available to customers, other than referencing the crew meals portion of revenue on Tour Operator invoices;

(e) made any material change with respect to any accounting in respect of the Business;

(f) waived, cancelled or written off, or agreed or become bound to waive, cancel or write off, any rights, claims or accounts receivable other than in the ordinary course of Business;

(g) hired or dismissed any Employees (other than flight crew) whose annual salary exceeds $125,000, other than as required for the normal course seasonal reduction of Employees;

(h) increased the compensation paid or payable to its Employees or changed the benefits to which such Employees and former Employees are entitled under any Employee Benefit Plan, created any new Employee Benefit Plan or modified, amended or terminated any existing Employee Benefit Plan for any such Employees other than increases or changes made in the ordinary course of Business consistent with past practice;

(i) created or permitted to exist any Encumbrance on any of its assets other than a Permitted Encumbrance;

(j) modified, amended or terminated any Tour Operator Agreement, Lease or Equipment Lease, Aircraft Leases, Airport Leases or any other material Contract or waived or released any right which it has or had thereunder, other than in the ordinary course of Business;

(k) declared or paid any dividend (provided this shall not apply to any dividend contemplated in Section 4.1.3(b)(ix)) or declared or made any other distribution or return of capital in respect of any of its shares (or been deemed under the Tax Act to have done so) or purchased, redeemed or otherwise acquired any of its shares or agreed to do so;

(l) except as disclosed in Schedule 3.1.32, entered into or become bound by any written or oral contract, agreement or arrangement or made or authorized any capital expenditure other than in the ordinary course of Business in accordance with the Corporation's approved capital budget, a copy of which has been provided to Holdco or any of its Affiliates, or involving or which may result in the payment of money by the Corporation or the Subsidiaries of an amount in excess of $100,000 with respect to any one transaction or an amount in excess of $250,000 with respect to all transactions;

(m) had a Supplier terminate, or communicate to the Corporation or the Subsidiaries the intention or threat to terminate, its relationship with the Corporation or the Subsidiaries, or the intention to reduce substantially the quantity of products or services it sells or leases to the Corporation or the Subsidiaries or the intention to increase the prices it charges for goods or services it sells or leases to the Corporation or the Subsidiaries, except in the case of Suppliers whose sales to the Corporation or the Subsidiaries are not, in the aggregate, material to the Business or to the financial condition of the Corporation or the Subsidiaries;

(n) had any customer including, without limitation, any Tour Operator or sublessee of Aircraft terminate, or communicate to the Corporation or the Subsidiaries the intention or threat to terminate, its relationship with the Corporation or the Subsidiaries, or the intention to reduce substantially the quantity of products or services it purchases from the Corporation or the Subsidiaries, except in the case of customer whose purchases from the Corporation or the Subsidiaries are not, in the aggregate, material to the Business or to the financial condition of the Corporation or the Subsidiaries; or

(o) made any payment to any Interested Person except as those described in Section 3.1.17 or except for usual Employee compensation; or

(p) authorized or agreed or otherwise become committed to do any of the foregoing.

3.1.16 **No Guarantees**

Neither the Corporation nor the Subsidiaries have given nor agreed to give, nor is it a party to or bound by or subject to any Guarantee.

3.1.17 **Non-Arm's Length Transactions**

No Interested Person is indebted to the Corporation or the Subsidiaries nor is the Corporation or the Subsidiaries indebted to any Interested Person, except such indebtedness as is disclosed in Schedule 3.1.17 or disclosed in the Audited Financial Statements, and except for usual Employee reimbursements and compensation paid in the ordinary course of business. Except as described in Schedule 3.1.17 and except for Contracts of employment, neither the Corporation nor the Subsidiaries are a party to any Contract with any Interested Person. No Interested Person: (a) owns, directly or indirectly, in whole or in part, any property that the Corporation or the Subsidiaries use in the operation of the Business; or (b) has any cause of action or other claim whatsoever against, or is owed any amount by the Corporation or the Subsidiaries in connection with the Business, except for any liabilities reflected in the Audited Financial Statements and claims in the ordinary course of business such as for accrued expense reimbursements, vacation pay and benefits under the Employee Benefit Plans. Since April 30, 2007 no payment has been made to any Interested Person outside the ordinary course of business.

3.1.18 **Employees**

(a) Schedule 3.1.18 contains the titles or positions of all Employees (but not their names) and their date of hire, seasonality of their employment, whether they are

active and part-time or full-time Employees and the location of their employment, a list of all written contracts with Employees at the level of Vice President or higher, a list of all applicable Collective Agreements in force as of the Closing Date, their expiry dates, any outstanding notices to renegotiate or terminate any such Collective Agreement, and the remuneration (including bonus and profit-sharing entitlements) of, and Employee Benefit Plans applicable to, each Employee as at the date hereof. Schedule 3.1.18 also contains a list of any consultancy or similar arrangements for work or services provided to the Corporation. Up-to-date and complete copies of all Collective Agreements, contracts with Employees at the level of Vice President or higher and the standard employment template for all other employees, written consultancy or similar agreements and the Employee Benefit Plans have been made available by the Corporation to Holdco or any of its Affiliates.

(b) Other than the Collective Agreements identified in Schedule 3.1.18, neither the Corporation nor the Subsidiaries are a party to or bound by or subject to any Collective Agreement, neither the Corporation nor the Subsidiaries have made any commitment to, or conducted any negotiation or discussion with, any labour union or Employee association with respect to any future agreement or arrangement, or are required to recognize any labour union or Employee association representing their Employees or any agent having bargaining rights for their Employees and, to the knowledge of the Corporation, there is no current attempt to organize, certify or establish any additional labour union or Employee association with respect to Employees nor has there been any attempt to do so during the period of 12 months preceding the date hereof.

(c) General relations between the Corporation and the Subsidiaries and its Employees are good and there is no present, pending or, to the knowledge of the Corporation, threatened labour strike, dispute, slowdown or work stoppage other than the grievances and contract negotiations identified in Schedule 3.1.18.

(d) Neither the Corporation nor the Subsidiaries have any Employee who cannot be dismissed on reasonable notice and is not liable to any Employee or former Employee for any damages under any Applicable Law or any agreement or arrangement relating to any Employee Benefits except as disclosed in Schedule 3.1.18 or provided for in the Audited Financial Statements.

3.1.19 **Employee Benefit Plans**

(a) Schedule 3.1.18 lists each of the Employee Benefit Plans in which Employees and/or former Employees of the Corporation or the Subsidiaries participate. Copies of each current written Employee Benefit Plan, as amended to the date hereof, as well as summary descriptions of the Employee Benefit Plans provided to Employees and former Employees of the Corporation or the Subsidiaries, the most recent annual information reports and any Employee Benefit Plan policies and procedures have been provided to or made available to Holdco or any of its Affiliates. There have been no promised improvements, increases or changes to the benefits provided under any Benefit Plan except as set out in Schedule 3.1.18.

(b) Neither the Corporation, nor the Subsidiaries are parties to any pension plan, registered or unregistered, under which the Employees accrue pension benefits and under which benefits are provided to former Employees.

(c) Each Employee Benefit Plan is, and has been, established, registered (where required), administered and invested, in compliance in all material respects with:

(i) the terms of such Employee Benefit Plan;

(ii) all Applicable Law; and

(iii) the Collective Agreements, where applicable.

(d) To the knowledge of the Corporation, none of the Corporation, the Subsidiaries or any agent of any of them, has received, in the last 3 years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim for benefit payments in the ordinary course related solely to such a Person who is an individual).

(e) All material obligations under the Employee Benefit Plans (whether pursuant to the terms thereof, Applicable Law or otherwise) which are due as of the date hereof have been satisfied, and there are no outstanding material defaults or violations thereunder by the Corporation, the Subsidiaries or to the knowledge of the Corporation the administrator of any Employee Benefit Plan, or by any agent of any of them, that could result in or give rise to any liability to the Corporation or the Subsidiaries, nor does the Corporation have any knowledge of any such default or violation by any other party to any Employee Benefit Plan. For greater certainty, all returns, filings, reports and disclosures relating to the Employee Benefit Plans required pursuant to the terms of the Employee Benefit Plans, Applicable Law or by any Governmental Authorities have been timely filed or distributed in accordance with all applicable requirements.

(f) All employer payments, contributions or premiums required to be remitted or paid to or in respect of each Employee Benefit Plan have been remitted and paid in a timely fashion in accordance with the terms thereof, and Applicable Law, and no Taxes, penalties or material fees are owing or exigible under or in respect of any Employee Benefit Plan.

(g) There is no investigation, examination, proceeding, action, suit or claim (other than routine claims for benefits) pending or to the knowledge of the Corporation threatened involving any Employee Benefit Plan or its assets, and no facts exist which presently or after notice or lapse of time or both could reasonably be expected to give rise to any such investigation, examination, proceeding, action, suit or claim (other than routine claims for benefits).

(h) All Employee data necessary to administer each Employee Benefit Plan in respect of the Employees and former Employees of the Corporation or the Subsidiaries and their beneficiaries is in the possession of or is readily available to the Corporation or the Subsidiaries, and in all material respects, is complete and

correct in all material respects and in a form which is sufficient for the proper administration of the Employee Benefit Plans in respect of such Employees, former Employees and their beneficiaries.

(i) None of the Employee Benefit Plans, other than those defined in Schedule 3.1.18, provides post-employment or post-retirement benefits to or in respect of the Employees or any former Employees of the Corporation or the Subsidiaries or to or in respect of the beneficiaries of such Employees and former Employees.

(j) None of the Employee Benefit Plans requires or permits a retroactive increase in premiums or payments, and the level of insurance reserves, if any, under any insured or self-insured Employee Benefit Plan is reasonable and sufficient to provide for all incurred but unreported claims.

(k) Neither the Corporation nor the Subsidiaries have any obligation with respect to any former Benefit Plan in respect of Employees or former Employees of the Corporation or its predecessor or their beneficiaries.

(l) Neither the execution of this Agreement nor the consummation of any of the transactions contemplated in this Agreement will solely by virtue thereof:

(i) except as indicated in Schedule 3.1.18, result in any payment (including without limitation bonus, golden parachute, retirement, severance, unemployment compensation, or other benefit or enhanced benefit) becoming payable under any Employee Benefit Plan;

(ii) increase any benefits otherwise payable under any Employee Benefit Plan;

(iii) entitle any Employee to any job security or similar benefit or any enhanced benefits; or

(iv) except as indicated in Schedule 3.1.18, result in the acceleration of the time of payment or vesting of any benefits otherwise payable under any Employee Benefit Plan, or result in any Employee Benefit Plan becoming terminable other than at the sole and unfettered discretion of the Corporation or the Subsidiaries.

(m) The data provided by the Corporation and the Subsidiaries to Holdco or any of its Affiliates in connection with the Employees and former Employees of the Corporation and the Subsidiaries and their beneficiaries, including the demographic data and information relating to such persons, was true, accurate and complete in all material respects on the date that it was provided or made available to Holdco or any of its Affiliates and copies provided if requested and remains true, accurate and complete in all material respects as of the date hereof.

(n) Except as indicated in Schedule 3.1.18, the booklets, brochures, summaries, descriptions and manuals prepared for, and circulated to, the Employees and former Employees of the Corporation and the Subsidiaries and their beneficiaries concerning each Employee Benefit Plan, together with all material written

communications of a general nature provided to such Persons, have been provided to or made available to Holdco or any of its Affiliates and copies provided if requested and in all material respects accurately describe the benefits provided under each such Employee Benefit Plan referred to therein.

3.1.20 **Occupational Health and Safety**

There are no inspection Orders which have not been complied with, nor any pending or, to the knowledge of the Corporation threatened charges made under any occupational health and safety legislation relating to the Corporation or the Business. There have been no fatal or critical accidents within the last 2 years which might lead to charges under occupational health and safety legislation. The Corporation has complied in all material respects with any Orders issued under any occupational health and safety legislation. There are no appeals of any Orders under occupational health and safety legislation relating to the Corporation which are currently outstanding.

3.1.21 **Workers' Compensation**

There are no notices of assessment, provisional assessment, reassessment, supplementary assessment, penalty assessment or increased assessment (collectively, "**Assessments**") required to have been paid and not paid when due or any other communications related thereto which the Corporation has received from any workers' compensation or workplace safety and insurance board or similar authorities in any jurisdictions where the Business is carried on and there are no Assessments which are due and unpaid on the date hereof or which will be due and unpaid at the Closing. To the knowledge of the Corporation, there are no facts or circumstances which may result in a material increase in liability to the Corporation from any applicable workers' compensation or workplace safety and insurance legislation, regulations or rules after the Closing. To the knowledge of the Corporation, the Corporation's accident cost experience relating to the Business is such that there are no material pending or possible Assessments and there are no claims or, to the knowledge of the Corporation, potential claims which may materially and adversely affect the accident cost experience of the Corporation.

3.1.22 **Debt Instruments**

Except as set forth and described in Schedule 3.1.22, neither the Corporation nor the Subsidiaries are a party to or bound by or subject to any Debt Instrument or any agreement, contract or commitment to create, assume or issue any Debt Instrument and no Debt Instrument or Encumbrance which the Corporation or the Subsidiaries are a party to or bound by or subject to is dependent upon the Guarantee of or any security provided by any other Person.

3.1.23 **Real Property**

Except as set forth and described in Schedule 3.1.23, neither the Corporation nor the Subsidiaries own or have any interest in, nor is the Corporation or the Subsidiaries a party to or bound by or subject to, any agreement, contract, commitment or option respecting any real property. Except as set forth and described in Schedule 3.1.23, each of the Corporation and the Subsidiaries is the owner of its respective Real Property, and, other than Hanger 6 and 6A, the

Real Property is owned with good title thereto in fee simple and free of any Encumbrance except Permitted Encumbrances.

3.1.24 **Status of Real Property and Leased Property**

There are no agreements, options, contracts or commitments to sell, transfer or dispose of any Real Property or any interest therein or which would restrict the ability of the Corporation or the Subsidiaries to transfer the Real Property, subject to, in respect of Hangars 6 and 6A, any transfer provision in the Lease in respect thereof, and no Person has any right to occupy or use any of the Real Property or any part thereof other than the Corporation or the Subsidiaries. Except as set forth in Schedule 3.1.23, Hangars #6 and #6A and all of the plant, buildings, structures, erections, improvements, appurtenances and fixtures (collectively in this Section 3.1.24 "buildings and structures") situate on or forming part of the Real Property or the Leased Property are in good operating condition and in a state of good maintenance and repair, ordinary wear and tear excepted, are adequate and suitable for the purposes for which they are currently being used and the Corporation has adequate rights of ingress and egress to and from Hangars #6 and #6A and all of its buildings and structures for the operation of the Business in the ordinary course. The Corporation has not received notice that Hangars #6 and #6A or any of the buildings and structures, or the operation or maintenance thereof, violates any restrictive covenant or any provision of any Applicable Law or encroaches on any property owned by others. Without limiting the generality of the foregoing, to the knowledge of the Corporation, except as set forth and described in Schedule 3.1.23:

(a) the Real Property and the Leased Property and the current uses thereof by the Corporation and the Subsidiaries comply in all material respects with Applicable Law or are legally nonconforming thereto and, without limiting the generality of the foregoing, there is no violation by the Corporation of any health, safety, zoning, building statute, ordinance or restriction or any restrictive covenant, affecting the Real Property;

(b) no alterations, repairs, improvements or other work have been ordered, directed or requested in writing under any Applicable Law by any Person with respect to the Real Property or the Leased Property or the buildings and structures or with respect to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works, which alteration, repair, improvement or other work has not been completed, and no notice advising of any defects in the construction or state or repair or any part of the Real Property or any directive requiring that any alterations, repairs, improvements or other work to be done with respect to any of the Real Property relating to any non-compliance with any building permit, building restriction, by-law requirement or regulation or ordinance, has been issued or, if issued, will remain outstanding as of the Closing Date;

(c) all accounts for material, work and services with respect to the Real Property and the Leased Property (except for current accounts the payment dates of which have not yet passed) have been fully paid and satisfied and no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or any similar applicable legislation in any other jurisdiction against the Real Property or the Leased Property;

(d) there is nothing owing by the Corporation or the Subsidiaries in respect of the supply to or the use by it of water, gas, electrical power or energy, steam or hot water, or other utilities (except for current accounts the payment dates of which have not yet passed), and all water, sewer, gas, electric, telephone, drainage and other utility equipment facilities and services now used in the operation of the Real Property or adequate to service the Real Property;

(e) no part of the Real Property or the premises leased by the Corporation on the Leased Property, has been taken or expropriated by any Tribunal or other body having power of expropriation, nor, has any Legal Proceeding or notice in respect of any such expropriation been commenced, given or, to the knowledge of the Corporation, threatened and the Corporation has not received notice of any intention by any Governmental Authority to alter the applicable zoning by-law or any other Applicable Law or municipal ordinance so as to adversely affect, or potentially adversely affect, the present use of the Real Property;

(f) except as set forth and described in Schedule 3.1.23, all of the buildings, fixtures, improvements and structures constituting part of the Real Property are free from structural and inherent defects which interfere with or impair the use or occupancy of the Real Property; the roofs, walls, floors and other structural elements of the Real Property are in good condition and repair, ordinary wear and tear excepted; and

(g) the location and existence of each building, fixture, improvement and structure forming part of the Real Property (which for the limited purpose hereof does not include Hangars #6 and #6A) do not infringe the provisions of any servitude, easement, right of way, charge or encumbrance registered against or otherwise charging or affecting any Real Property (which for the limited purpose hereof does not include Hangars #6 and #6A), and do not encroach on or onto the real property of any other Person, and the Corporation has not received notice of any such infringement or encroachment in respect of Hangars #6 and #6A.

3.1.25 **Leases and Leased Property**

Neither the Corporation nor the Subsidiaries are a party to or bound by or subject to, nor has the Corporation or the Subsidiaries agreed or become bound to enter into, any real property lease, or other right of occupancy relating to real property, whether as lessor or lessee, except for the Leases set forth and described in Schedule 3.1.25. Up-to-date and complete copies of the Leases have been provided or made available by the Corporation to Holdco and or any of Affiliates and copies provided if requested. Except as set out in #1 and #2 under the heading Leased Premises in Schedule 3.1.23, each Lease is valid and subsisting and in good standing, as of the date hereof, and there is no default thereunder by the Corporation and to the Corporation's knowledge, by the landlord, nor is there any dispute between the Corporation or the Subsidiaries and any landlord or tenant under any Lease and each of the Corporation or the Subsidiaries is entitled to all rights and benefits under the Leases and neither the Corporation nor the Subsidiaries have sublet, assigned, licensed or otherwise conveyed any rights in the Leases or the property subject thereto to any other Person. Neither the Corporation nor the Subsidiaries nor, to the knowledge of the Corporation, any other party thereto is in material breach of any of the

provisions of any Lease and (subject to obtaining any Consents and Regulatory Approvals to the change in control of the Corporation and the Subsidiaries and/or the other transactions herein contemplated) the completion of the transactions herein contemplated will not afford any of the parties to any Lease or any other Person the right to terminate any Lease nor will the completion of the transactions herein contemplated result in any additional or more onerous obligation on the Corporation or the Subsidiaries under any Lease.

3.1.26 **Airport Lease Arrangements**

Schedule 3.1.26 sets out the jurisdictions in which the Corporation is authorized by slots allocated on a seasonal basis by airport authorities to land its Aircraft. Notwithstanding Section 3.1.25, neither the Corporation nor the Subsidiaries are a party to or bound by or subject to nor has the Corporation or the Subsidiaries agreed or become bound to enter into any lease agreement, arrangement or other right relating to aviation related operations at an airport terminal, including, the passenger operations, the tour operator counters, storage, landing and take off of aircraft, maintenance and parking of Aircraft (the "**Airport Lease**"), whether as lessor or lessee, except for the Airport Leases set forth and described in Schedule 3.1.26, in which is accurately specified the parties to and dates of each of the Airport Leases and their expiry dates. Each Airport Lease is valid and subsisting and in good standing, there is no default thereunder by the Corporation or the Subsidiaries, or to the knowledge of the Corporation by any other party to any Airport Lease, nor is there any dispute between the Corporation or the Subsidiaries and any landlord or tenant under any Airport Lease and the Corporation and the Subsidiaries are entitled to all rights and benefits under the Airport Leases. Neither the Corporation nor the Subsidiaries are in breach of any of the provisions of any Airport Lease and (subject to obtaining any Consents and Regulatory Approvals to the change in control of the Corporation herein contemplated), completion of the transactions herein contemplated will not afford any of the parties to any Airport Lease or any other Person the right to terminate any Airport Lease.

3.1.27 **Personal Property**

Except for property subject to an Equipment Lease or Aircraft Leases, each of the Corporation and the Subsidiaries is the owner of all of its personal property used in the Business free of any Encumbrance other than Permitted Encumbrances.

3.1.28 **Equipment Leases**

The Equipment Leases listed or identified on Schedule 3.1.28 are the only leases of personal property (excluding Aircraft) to which the Corporation or the Subsidiaries are a party. All of the Equipment Leases are in full force and effect and no material default exists on the part of the Corporation or the Subsidiaries, or, to the knowledge of the Corporation, on the part of any of the other parties thereto. The entire interest of each of the Corporation and the Subsidiaries under each of the Equipment Leases to which it is a party or by which it is bound is held by the Corporation or the Subsidiaries free and clear of any Encumbrances, except for Permitted Encumbrances and all payments due under the Equipment Leases have been duly and punctually paid and all obligations to be discharged or performed under the Equipment Leases have been fully discharged and performed in accordance with the terms of the Equipment

Leases. Except as set out in Schedule 3.1.28, no Equipment Lease has been subcontracted or subleased to a third party.

3.1.29 **Licenses and Compliance with Applicable Laws**

Each of the Corporation and the Subsidiaries possess all material Licenses (including the Material Licenses) necessary to carry on the Business, including the operation of Aircraft, and each of the Corporation and the Subsidiaries has conducted and is conducting the Business in compliance with Applicable Law, including, without limitation, Aviation Laws, and is not in breach of any provision of Applicable Law, including, without limitation, Aviation Laws. The Corporation has ensured that the crew and engineers employed by it in connection with the operation and maintenance of the Aircraft have the qualifications and hold the licenses required by the Air Authority and Applicable Law. All such Licences of the Corporation and the Subsidiaries, as well as the crew and engineers have been validly issued, are valid, subsisting and in good standing in full force and effect and there is no material default thereunder. Except as set forth and described in Schedule 3.1.8, none of such Licences requires any Regulatory Approval in connection with the completion of the transactions herein contemplated or in order to maintain such Licence in full force and effect and in good standing after Closing. There are no proceedings in progress, or to the Corporation's knowledge, pending or threatened, which may result in revocation, cancellation, suspension or any adverse modification of any of such Licences. The Licences are free and clear of any Encumbrances except for Permitted Encumbrances. The Corporation is exempt from filing its charter agreements with Canada Transportation Agency pursuant to an exemption order (the "**Exemption Order**") issued by the Canadian Transportation Agency on May 12, 2000, an accurate and complete copy of the Exemption Order having been provided by the Corporation to Holdco. The Corporation has complied with and has fulfilled all obligations under the Exemption Order, which remains in full force and unexpired.

3.1.30 **Sufficiency and Condition of Assets**

The assets owned, licensed or leased by the Corporation and the Subsidiaries constitute all of the property and assets necessary to carry on the Business as it is currently carried on, and include all proprietary rights, and other property and assets, tangible and intangible, used in connection with the Business. All tangible assets used in the Business are in good operating condition and in a state of good repair and maintenance, reasonable wear and tear excepted.

3.1.31 **Insurance**

(a) The Corporation and the Subsidiaries maintain the insurance policies described (including a brief description of the type of insurance, the name of the insurer, and policy number) in Schedule 3.1.31. Such policies are issued by reputable and sound insurers and cover the property and assets of the Corporation and the Subsidiaries and protect the Business in such amounts and against such losses and claims as are generally maintained for comparable businesses and properties. Each of such insurance policies is valid and subsisting and in good standing, there is no default thereunder and each of the Corporation and the Subsidiaries which is

an insured party thereunder is entitled to all rights and benefits thereunder. Holdco or any of its Affiliates has been given access to up-to-date and complete copies of all insurance policies described in Schedule 3.1.31.

(b) Schedule 3.1.31 sets forth and describes all pending claims under any of such insurance policies, identifies the most recent inspection reports, if any, received from insurance underwriters as to the condition or insurance value of the insured property and assets, copies of which have been made available to Holdco or any of its Affiliates. Neither the Corporation nor the Subsidiaries have failed to give any notice or present any claim under any of such insurance policies in due and timely fashion. Except as set forth in Schedule 3.1.31, to the knowledge of the Corporation, there are no circumstances which might entitle the Corporation or the Subsidiaries to make a claim under any of such insurance policies or which might be required under any of such insurance policies to be notified to the insurers.

(c) Except as set out in Schedule 3.1.31, no notice of cancellation or non-renewal with respect to, nor disallowance of any claim under, any of such insurance policies has been received by the Corporation or the Subsidiaries. To the knowledge of the Corporation, there are no circumstances or occurrences which would or might form the basis of a material increase in premiums for the current insurance coverage maintained by the Corporation or the Subsidiaries.

3.1.32 **Contracts**

The Contracts identified in Schedule 3.1.32 are the only contracts material to the Business (other than the Aircraft Leases, the Leases and the Equipment Leases), and, except as disclosed in Schedule 3.1.8, no Consent is required nor is any notice required to be given under any Contract from any party thereto or any other Person in connection with the completion of the transactions herein contemplated in order to maintain all rights of the Corporation or the Subsidiaries under any such Contract. The Contracts are all in good standing and in full force and effect with no amendments except as disclosed in Schedule 3.1.32 and the Corporation or the Subsidiaries are entitled to all rights and benefits thereunder. The copies of all Contracts, including any amendments thereto or extensions thereof, made available to Holdco for inspection are true and complete copies of the originals and all of the Contracts. There are no collateral agreements, written or oral, relating to or affecting the Contracts which are not referenced in Schedule 3.1.32 other than certain items which have been delivered separately to the Purchaser. Each of the Corporation or the Subsidiaries has complied in all material respects with all terms of and performed all of the obligations under the Contracts to which it is a party, has paid all amounts due thereunder, has not waived any rights thereunder and no material default or breach exists in respect thereof on the part of the Corporation or to the knowledge of the Corporation, any of the other parties thereto and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach. All amounts due and payable to the Corporation or the Subsidiaries under the Contracts are still due and owing to the Corporation or the Subsidiaries without any right of set-off. Schedule 3.1.32 also sets forth all material quotations, orders or tenders for contracts which remain open for acceptance. Neither the Corporation nor the Subsidiaries are a party to any Contract which it does not have the

capacity to perform, including the necessary personnel, equipment and supplies. The only agreements, contracts, commitments or undertakings of the BAS Large Aircraft Maintenance Business, whether written or oral, are those listed in Schedule 1.1E.

3.1.33 **Security Deposits on Aircraft or Pursuant to Charter Agreements**

All currently outstanding security deposits and letters of credit deposited with the Lessors in accordance with applicable Aviation Laws pursuant to the Aircraft Leases, or pursuant to an Aircraft charter agreement or such other agreement to which the Corporation or the Subsidiaries are a party, have been duly deposited and are in full force and in good standing. All such currently outstanding security deposits and letters of credit deposited with the Lessors or other parties pursuant to an Aircraft charter agreement or such other agreement and details of the security pledged or lodged in support thereof are listed and described in Schedule 3.1.33 and no draws or calls have been made thereunder.

3.1.34 **No Restricted Cash**

All cash and cash equivalents (including money market instruments) held by the Corporation on the date hereof are free and clear of all Encumbrances and, except for the cash supporting the letters of credit, deposits and similar instruments listed in Schedule 3.1.12, the full amount thereof is available to be used by the Corporation without any restriction for general operating purposes and working capital and is not pledged or lodged as security for any other letters of credit, deposits or similar instruments issued by or on behalf of the Corporation or any other obligations of the Corporation. The restricted cash of the Corporation on the date hereof is in the amount of approximately $2,500,000.

3.1.35. **Customers and Suppliers**

Except as disclosed on Schedule 3.1.35, neither the Corporation nor the Subsidiaries are required to provide any bonding or other financial security arrangements in connection with any transactions with any of its customers, lessors, sublessors, sublessees, or Suppliers, whether or not in the ordinary course of the Business.

3.1.36 **Legal Proceedings**

Except as disclosed on Schedule 3.1.36, there is no Legal Proceeding (whether or not purportedly on behalf of the Corporation or the Subsidiaries) in progress, pending or, to the knowledge of the Corporation, threatened against or affecting the Corporation or the Subsidiaries before or by any Tribunal. To the knowledge of the Corporation, there are no grounds on which any such Legal Proceeding might be commenced with any reasonable likelihood of success. Except as described in Schedule 3.1.36, there is no Order outstanding against or affecting the Corporation or the Subsidiaries. Except as described in Schedule 3.1.36, there is no deductible payable by the Corporation in respect of any of the Legal Proceedings disclosed in Section 3.1.36 that are covered by insurance and copies of coverage and reservation letters received by the Corporation from insurers are listed in Schedule 3.1.36 and have been provided to Holdco or any of its Affiliates, and coverage has not been denied in respect of any insured Legal Proceedings.

3.1.37 **Banking Information**

Schedule 3.1.37 sets forth the name and location (including municipal address) of each bank, trust company or other institution in which the Corporation or the Subsidiaries have an account, money on deposit or a safety deposit box and the name of each Person authorized to draw thereon or to have access thereto and the name of each Person holding a power of attorney from the Corporation or the Subsidiaries and a summary of the terms thereof.

3.1.38 **Tax Matters**

(a) The Corporation and its Subsidiaries (if applicable) have duly filed in the prescribed manner and within the prescribed time all Tax Returns required to be filed by it and such Tax Returns are correct and complete and the Corporation and its Subsidiaries (if applicable) have made complete and accurate disclosure in such Tax Returns and in all materials accompanying such Tax Returns, except in respect of a particular Tax Return to the extent that it may have been modified in a subsequent Tax Return. The Corporation and its Subsidiaries (if applicable) have paid all Taxes due and payable by it, including all Taxes shown on all Tax Returns filed by it as being due and payable and all Taxes payable under any assessment or reassessment.

(b) The Audited Financial Statements fully reflect accrued liabilities for all Taxes which were then not yet due and payable and for which Tax Returns were not yet required to be filed. Except as disclosed in Schedule 3.1.38, no examination of any Tax Return of the Corporation and its Subsidiaries by a Governmental Authority is currently in progress nor has any Governmental Authority requested the Corporation or any of its Subsidiaries (if applicable) to file a Tax Return. Except as disclosed in Schedule 3.1.38, there is no Legal Proceeding, assessment, re-assessment or request for information outstanding or, to the knowledge of the Corporation, threatened against the Corporation and its Subsidiaries with respect to Taxes.

(c) There are no agreements, waivers or other arrangements providing for an extension of time with respect to any assessment or reassessment of Tax, the filing of any Tax Return or the payment of any Tax by the Corporation and its Subsidiaries. The Corporation and its Subsidiaries have received Notices of Assessment for all taxation years up to the 2006 taxation year.

(d) The Corporation and its Subsidiaries have withheld from each payment made by it the amount of all Taxes and other deductions required under any applicable Tax Legislation to be withheld therefrom and have remitted all such amounts withheld and paid all instalments of Taxes due and payable before the date hereof to the relevant Governmental Authority within the time prescribed under any applicable Tax Legislation. The Corporation and its Subsidiaries have remitted all employer contributions required to be remitted by them to any Governmental Authority under Applicable Law in connection with the employment of their respective Employees.

(e) Each of the Corporation and the Subsidiaries has complied with all registration, reporting, collection and remittance requirements in respect of all federal and provincial Tax Legislation in respect of sales tax, including, without limitation, the *Excise Tax Act* (Canada), the *Retail Sales Tax Act* (Ontario) and the Quebec *Retail Sales Tax Act*.

(f) The Corporation and its Subsidiaries have provided to Holdco or any of its Affiliates access to copies of Tax Returns of the Corporation for the fiscal years 2003 to 2006, inclusive, being the only fiscal years for which the relevant limitation period under any Tax Legislation has not expired.

(g) There are no circumstances existing which could result in the application of either sections 78 to 80.04 of the Income Tax Act or any equivalent provincial Tax Legislation to the Corporation and its Subsidiaries.

(h) Neither the Corporation nor any of the Subsidiaries has acquired property from a non-arm's-length Person, within the meaning of the *Income Tax Act*, for consideration, the value of which is less than the fair market value of the property acquired in circumstances which could subject it to a liability under Section 160 of the *Income Tax Act* or the equivalent provisions under any provincial tax legislation.

(i) Neither the Corporation nor any of the Subsidiaries has filed any elections, designations or similar Tax filings which will be applicable for any period ending after the Closing Date.

(j) The aggregate amount of all transactions in any given taxation year commencing after 1998 and ending on or before the Closing Date between the Corporation and any non-resident person (within the meaning of the Tax Legislation) with whom the Corporation was not dealing at arm's length at the time of the transaction was less than $250,000.

(k) With regard to the Corporation and each of the Subsidiaries, complete and accurate information relating to each of the matters referred to below has been made available to Holdco or any of its Affiliates:

(i) any liabilities and any unclaimed input tax credit in respect of goods and services or harmonized sales tax and any other similar provincial value-added or multi-stages tax; and

(ii) any retail sales tax liabilities or unclaimed rebates.

3.1.39 **Accounts Receivable**

The accounts receivable recorded on the Audited Financial Statements and in the Accounting Records, which reflect a reasonable reserve in respect thereof for doubtful accounts calculated in accordance with generally accepted accounting principles consistently applied, have arisen in the ordinary course of the Business, are bona fide and good, valid, enforceable and collectible without any set-off or counterclaim.

3.1.40 **Inventories**

The inventories of the Corporation and the Subsidiaries consist solely of items of tangible personal property of the kind and quality regularly used in the Business and are useable in the ordinary course of the Business for the purpose for which they were intended and are at a level consistent with the level of inventories that has been maintained in the operation of the Business prior to the date hereof in accordance with normal business practice and reasonably anticipated requirements in light of seasonal adjustments, market fluctuations in the airline industry and the requirements of customers of the Business.

3.1.41 **Aircraft Parts Inventory**

The Corporation maintains an inventory of, or access to, Aircraft Parts of the kind and quality regularly used or required for the repair and maintenance of Aircraft (the "**Aircraft Parts Inventory**"). Schedule 3.1.41 sets out a complete and accurate list of the Aircraft Parts Inventory as of July 18, 2007. The Aircraft Parts Inventory is stored at premises leased or owned by the Corporation or the Subsidiaries or, if not on hand, is generally available on short notice and is generally useable and fit for the purposes for which they were intended. The Aircraft Parts Inventory as of the date hereof is of sufficient quantity so as to permit the Corporation to repair and maintain the Aircraft fleet of the Corporation in a timely manner and in accordance with the Corporation's maintenance schedule and past practice and all Applicable Law.

3.1.42 **Intellectual Property**

Attached hereto as Schedule 3.1.42 is a complete and accurate list of all (a) domestic and foreign patents, trade-marks, trade names, copyrights, industrial designs, business names, domain names, certification marks, service marks, distinguishing guises, business styles and other industrial or intellectual property, whether or not registered, that are owned by, licensed to or used by the Corporation or the Subsidiaries and all applications in respect thereof and that are necessary for the operation of the Business; (b) all material trade secrets, know-how, inventions, formulae, processes and technology pertaining to the Business; and (c) attached hereto as Schedule 3.1.43 is a complete and accurate list of all computer systems and application software owned or used in the Business, other than any software licensed to the Corporation or the Subsidiaries through "shrink wrap" end user licenses (collectively the "**Intellectual Property**"), including particulars of any registration thereof, details of all applications for registration in respect thereof. The Corporation and one or more of its Subsidiaries together are the only owners of the Intellectual Property except in the case of Intellectual Property licensed to the Corporation or the Subsidiaries. The Corporation has provided access to Holdco of complete and correct copies of all Contracts whereby any rights in respect of Intellectual Property have been granted or licensed to the Corporation or the Subsidiaries. Except as disclosed in Schedules 3.1.42 and 3.1.43, the Corporation or the Subsidiaries, as applicable, have the exclusive right to use all of the Intellectual Property and has not granted any licence or other rights to any other Person in respect of the Intellectual Property. The Intellectual Property that is owned by the Corporation and the Subsidiaries is free and clear of any Encumbrances other than the Permitted Encumbrances. To the knowledge of the Corporation, except as set out in Schedule 3.1.42 the Corporation and the Subsidiaries have not used or enforced, or failed to use or enforce, any of the Intellectual Property in any manner which could limit its validity or result in its invalidity.

Except as disclosed in Schedule 3.1.42, to the knowledge of the Corporation, there has been no infringement or violation of the Corporation's or the Subsidiaries' rights in and to the Intellectual Property. To the best of the knowledge of the Corporation, except as disclosed in Schedule 3.1.42, the Corporation is not or has not engaged in any activity that violates or infringes any intellectual property rights of any other Person.

3.1.43 **Information Systems**

(a) **Software.** Set out in Schedule 3.1.43(a) is a list of all Software that is material to the Business, noting the system name, whether such Software is in possession and control of the Corporation and/or a third party Information Systems provider, whether it is owned by the Corporation (together with all operational and development documentation related thereto which are owned by the Corporation, the "**Owned Software**") and whether it is owned as "Off-the-Shelf Software with Object Code", "Off-the-Shelf Software with Source Code", "Customized Third Party Software with Object Code", "Customized Third Party Software with Source Code" or Owned Software licensed, or third party sublicensed, by the Corporation to any other Person (together with the identity of the licensee or Sublicensee, as applicable), a brief description of the application and the name of the vendor where applicable.

(b) Other than as disclosed in Schedule 3.1.43(a), the Corporation owns all right, title and interest in and to such Software, and all rights, interest and benefits to the Intellectual Property therein, free and clear of all Encumbrances other than Permitted Encumbrances.

There are no claims of infringement, breach of confidence, adverse ownership or other claims, demands, actions or investigations pending or in process or, to the Corporation's knowledge, threatened against the Corporation in relation to such Software or any of its rights, interest or benefits in and to the Intellectual Property therein and, to the Corporation's knowledge, the use by or on behalf of the Corporation of such Software does not infringe the intellectual property rights of third parties. To the Corporation's knowledge, there are no infringements of any Software by third parties. Schedule 3.1.43(a) sets forth a complete and correct list and brief description of licences or sublicenses granted by the Corporation relating to Software that bind, obligate or otherwise restrict the Corporation.

(c) **Hardware, Telecommunications, Network Connections, Peripherals and Infrastructure.** Other than computer printers, photocopiers, fax machines and some specific networking equipment that is part of the Corporation's wide area network infrastructure, the Corporation has purchased outright all computer workstations, servers, telecommunications equipment, networking equipment, peripherals and other associated information technology infrastructure components. Schedule 3.1.43(c) contains a listing of all such Information Systems (both owned by the Corporation and not owned by the Corporation) and its owner, together with copies of all related documentation that is material to the Business.

Other than as disclosed in Schedule 3.1.43(c), the Corporation owns all right, title and interest in and to such Information Systems, free and clear of all Encumbrances other than Permitted Encumbrances. To the Corporation's knowledge, there are no claims of infringement, breach of confidence, adverse ownership or other claims, demands, actions or investigations pending or in process or threatened against the Corporation in relation to such Information Systems or any rights, interest or benefits in and to the Intellectual Property therein and the use by or on behalf of the Corporation of such Information System, to the Corporation's knowledge, does not infringe the intellectual property rights of any third party. Schedule 3.1.43(c) sets forth a complete and correct list and brief description of all leases or subleases granted by the Corporation relating to such Information Systems that bind, obligate or otherwise restrict the Corporation.

(d) **Disaster Recovery and Business Interruption.** Schedule 3.1.43(d) contains a complete description of all disaster recovery and business interruption plans for the Corporation.

Other than as set out in Schedule 3.1.43(d), no material interruptions in Information Systems operations or support have occurred in the past five (5) years.

(e) **Performance.** The Information Systems are (whether operated by the Corporation or by a third party on the Corporation's behalf or otherwise in connection with the Business) sufficient and capable of performing adequately for all material purposes of the Business, to the Corporation's knowledge.

(f) **Defects, Viruses, Disabling Code, Etc.** The Corporation has taken reasonable precautions to detect the presence of any defects, viruses, disabling code or date errors in the Information Systems.

The Corporation has implemented the Symantec antivirus solution for all desktops and servers (recently migrated from McAfee). All virus signatures are updated on an automatic basis.

All e-mail messages coming in and out of the Business are scanned for anti-virus and anti-spam using Skeptic™ technology powered by the Message Labs.

All workstations and servers using Microsoft based operating systems are patched on a monthly basis using a Skyservice managed Windows Software Update Service (WSUS) managed by the Corporation to ensure appropriate security patches are applied on a timely basis to all computers.

All application development performed by the Corporation in a separately controlled environment maintained independently and isolated from production. Applications that have completed the development cycle are moved into a UAT (User Acceptance Test) environment for final testing and approval. Non in-house developed Software is passed directly into the UAT environment. All bugs that are detected and appropriate resolutions are logged by the Corporation. Final

release Software is promoted into production through the submission and process of the appropriate Change Request documentation.

To the Corporation's knowledge, using industry best practices, the Corporation's Information Systems are free from material defects in workmanship and materials with respect to design, engineering, function, operation and installation and do not contain any computer virus, nor any clock, timer, counter or other limiting or disabling code, design or routine that would cause the Information Systems, or any component thereof, to be made inoperable or otherwise incapable of performing in accordance with specifications or otherwise restrict the ability to use same after the lapse or occurrence of any triggering prompt. The Information Systems: (i) accept, calculate, compare, sort, extract, sequence, and otherwise process date inputs and date values (whether forward or backward), and return, generate, process and display date output and date values, accurately, without interruptions, and in a consistent manner (without errors or omissions due to date selection), regardless of the date used, and whether or not the dates are affected by leap years; (ii) accept and respond to two-digit year-date input in a manner that resolves any ambiguities as to the century in a defined, predetermined, and appropriate manner; and (iii) store, process and display date information (including, without limitation, in user interfaces and data fields) in ways that are unambiguous as to the determination of the century in a defined, predetermined and appropriate manner.

3.1.44 **Privacy Matters**

The Corporation carries on and has carried on the Business in compliance in all material respects with all Applicable Law relating to the protection of Personal Information wherever such Personal Information may be situated. Except as disclosed in Schedule 3.1.44, to the Corporation's knowledge, the Corporation is not the subject of a complaint, audit, review, investigation or inquiry or similar proceeding, made under any Privacy Law and the Corporation has not been charged with or convicted of an offence for non-compliance with or breach of any Privacy Law. Access to an up-to-date and complete copy of the Corporation's privacy policy has been provided by the Corporation to Holdco.

3.1.45 **Aircraft Leases**

The Aircraft Leases listed or identified on Schedule 3.1.45 are the only leases, subleases or extended charter arrangements of Aircraft, Aircraft engines or Aircraft Parts to which the Corporation is a party. The Corporation has not agreed to any Aircraft Lease or to otherwise give possession or control of any Aircraft, any Aircraft engine or any Aircraft Part to, or otherwise permit any Aircraft, any Aircraft engine or any Aircraft Part to be in the possession or control of, any other Person except as set out in Schedule 3.1.45. Other than as indicated on Schedule 3.1.45, no Aircraft Lease has a term longer than 12 months. All of the Aircraft Leases are in full force and effect and no default or event of default exists on the part of the Corporation, or, to the knowledge of the Corporation, on the part of any of the other parties under any of the Aircraft Leases. The entire interest of the Corporation under each of the Aircraft Leases is held by the Corporation free and clear of any Encumbrances, except for Permitted Encumbrances and

all payments due under the Aircraft Leases have been duly and punctually paid and all material obligations to be discharged or performed under the Aircraft Leases have been fully discharged and performed in accordance with the terms of the Aircraft Leases, including all security deposits, maintenance reserves, prepayments and supplemental rent paid under the Aircraft Leases listed on Schedule 3.1.45. Except as set out in Schedule 3.1.45, no Aircraft Lease has been subleased to a third party.

3.1.46 **Airworthiness of Aircraft**

As listed in Schedule 3.1.49, each Aircraft has been issued a Certificate of Airworthiness (in the appropriate category for the nature of the operations of such Aircraft) by the relevant Governmental Authority in the jurisdiction where such Aircraft is registered, which Airworthiness Certificate is valid, in full force and effect, current at the date hereof and does not contain any restriction on the use of such Aircraft in general commercial aviation; and unless temporarily out of service for repair, maintenance or similar reasons, each Aircraft operated by the Corporation is in good condition and repair suitable for immediate operation under and in accordance with all standards and requirements of the relevant Air Authority of the jurisdiction in which it is registered, without waiver or restriction, and is in conformity with all maintenance, inspection, modification and other standards and requirements of such Air Authority with respect to such Aircraft. Each Aircraft subleased by the Corporation was, at the time of its delivery to and acceptance by the sublessee, and is required, under the terms of the sublease, to be returned to the Corporation on expiry of the sublease, in good condition and repair suitable for immediate operation under and in accordance with all standards and requirements of Transport Canada or the Air Authority of the Corporation's lessor's choice of jurisdiction if the Aircraft is to be returned off the sublease directly to the Corporation's lessor, without waiver or restriction, and in conformity with all maintenance, inspection, modification and other standards and requirements of Transport Canada or the Air Authority of the Corporation's lessor's choice if the Aircraft is to be returned off the sublease directly to the Corporation's lessor, in each case with respect to such Aircraft. No Aircraft is subject to any Airworthiness Directive that has not been performed within the time delay permitted for such performance or in respect of which the applicable Air Authority has permitted an alternative means of compliance, which such alternative means has been or will be complied with within the time provided therefor. The Corporation has not received written notice nor does it otherwise have knowledge that any Aircraft or its ownership, use, condition or operation is not in compliance with any Applicable Laws promulgated by any Governmental Authority, including with respect to: (a) maintenance or modification status, (b) safety, (c) environmental, and (d) operational matters.

3.1.47 **Aircraft**

(a) All information with which Holdco or any of its Affiliates has been provided by the Corporation regarding each Aircraft operated by the Corporation or otherwise under the care, custody and control of the Corporation, each Aircraft engine or any engine in both cases installed on the airframe of such Aircraft, and any Aircraft Part installed on such Aircraft, and the use, location and condition of each such Aircraft, including the hours remaining on such Aircraft and any such Aircraft engine until the next scheduled check, inspection, overhaul or shop visit, as the case may be is accurate and complete in all material respects;

(b) All Taxes payable and all charges and other payments, costs or obligations incurred by the Corporation with respect to any Aircraft, if failure to make such payment could give rise to an Encumbrance in respect of the Aircraft, any Aircraft engine or any Aircraft Part or any interest in the Aircraft Leases, including all payments due by the Corporation to NAV Canada, Canadian airports, Eurocontrol, the BAA and each other relevant air traffic control, air navigation and airport authority, have been or will be paid and discharged in full.

(c) All Aircraft, Aircraft engines or Aircraft Parts which the Corporation is operating or are otherwise in the care, custody and control of the Corporation:

(i) are in the same configuration as at delivery under their respective Aircraft Leases or in a configuration permitted by the applicable Aircraft Lease and are in as good operating condition and appearance as when delivered to the Lessor, except for ordinary wear and tear and alterations and modifications authorized or required under the applicable Aircraft Lease;

(ii) have installed the full complement of Aircraft Parts, including all equipment, parts, accessories, furnishings and loose equipment, as at delivery to the Corporation or as permitted under their respective Aircraft Leases or by the Air Authority;

(iii) comply with all Air Authority mandatory inspection requirements, the applicable manufacturer's original specifications as on delivery under their respective Aircraft Leases, except as modified in accordance with the applicable manufacturer's modification or service bulletins or letters, Airworthiness Directives, applicable to such Aircraft, Aircraft engine or Aircraft Part, Air Authority approved data or otherwise as permitted under their respective Aircraft Leases; and

(iv) to the extent it is so required by the Air Authority of the State of Design or under the applicable Aircraft Leases, have had accomplished all outstanding Airworthiness Directives affecting that model of Aircraft issued by the Air Authority of the State of Design or the Air Authority by terminating action or as otherwise permitted. In no event shall there be any non-transferable time extensions, waivers, deviations or alternative means of compliance with any Airworthiness Directives or other Applicable Law.

(d) The Corporation has not taken, or failed to take, any action required to be taken to the Corporation, in respect of the operation and maintenance of the Aircraft, if the effect of such conduct by it would be to cause it, the Aircraft or its use or operation of the Aircraft to be in violation of any Applicable Law in force in any country or jurisdiction which may then be applicable (provided that such action is not prohibited or sanctioned under the *Foreign Extraterritorial Measures Act* (Canada) or other similar laws to the extent applicable) (including any Applicable Laws mandating insurance coverage), or cause a Lessor, owner, any financing party or financing parties' representative, to be in violation of any Applicable Law in force in any country or jurisdiction which may then be applicable;

(e) The Corporation has not used the Aircraft in any manner materially contrary to any recommendation of the manufacturer of the Aircraft, any Aircraft engine or any Aircraft Part or any recommendation or regulation of the Air Authority or for any purpose for which the Aircraft is not designed or reasonably suitable;

(f) All Aircraft Parts (i) have a current "serviceable tag" of the manufacturer or maintenance facility providing such Aircraft Parts to the Corporation, indicating that such Aircraft Parts are new, serviceable or overhauled and the Corporation has and maintains in the Aircraft Records full details of the source and maintenance records of all Aircraft Parts and, in the case of serialized rotable Aircraft Parts and the Corporation maintains a complete maintenance history for such Parts; (ii) have a quarantine process in place pursuant to the requirements of the Air Authority.

3.1.48 **Aviation Matters**

The Corporation has:

(a) operated all Aircraft solely in commercial or other operations for which it is duly authorised by the Air Authority and under any Aircraft Leases and Applicable Law;

(b) not knowingly used any Aircraft for the carriage of any goods, materials, livestock or items of cargo in any manner which could reasonably be expected to cause damage to any Aircraft unless adequately covered by insurance, or any item or substance whose possession or carriage is illegal under any Applicable Law or prohibited under the applicable Aircraft Lease; and complied with any carriage regulations or restrictions from time to time issued by IATA and applicable to it;

(c) not utilised any Aircraft for purposes of training, qualifying or re-confirming the status of cockpit personnel except for the benefit of its own cockpit personnel, and then only if the use of such Aircraft for such purpose is not disproportionate to the use for such purpose of other Aircraft of the same type operated by it, as the case may be.

3.1.49 **Certificate of Registration**

Each Aircraft leased to the Corporation which has not been subleased to a third party by the Corporation such that the Aircraft is not registered in the Corporation's name and will at all times prior to the Closing be duly registered in the name of the Corporation in accordance with applicable Aviation Laws and at no time prior to the Closing will any Aircraft be registered in or under the laws of another country, except to the extent such Aircraft is subleased to a sublessee. A Certificate of Registration has been issued in respect of each of the Aircraft in the name of the Corporation or the applicable sublessee, as the case may be, and is valid and current at the date hereof. Particulars of the Certificates of Registration for each Aircraft are set out in Schedule 3.1.49.

3.1.50 **Aircraft Records**

The Corporation has properly kept the Aircraft Records for all flights made by, and all maintenance carried out on, the Aircraft (including in relation to each Aircraft engine and Aircraft Part subsequently installed, before the installation); in such manner as the applicable Air Authority may from time to time require, and ensured that they comply with its approved maintenance program and the recommendations of any manufacturers of the Aircraft, any Aircraft engine or any Aircraft Part. All Aircraft Records for any Aircraft being operated by the Corporation are up-to-date and complete in accordance with Applicable Law and the requirements of the manufacturers of such Aircraft. All Aircraft Records are maintained in English with appropriate revision service as required by Applicable Law and standard practice of major international air transport operators in respect of each Aircraft. Each Aircraft Lease requires that the sublessee maintains up-to-date Aircraft Records for the Aircraft being subleased and the Corporation has no legal obligations relating to such Aircraft Records during the term of the sublease. All Aircraft Records are either located on each Aircraft or at premises owned or leased by the Corporation, or premises of a sublessee, or with the Aircraft lessor, as the case may be, as required in accordance with Applicable Law or the requirements of the head lessors pursuant to the Aircraft Leases. All such Aircraft Records for Aircraft being operated by the Corporation are consecutive and will be complete from the date of manufacture of each Aircraft up to the date of Closing.

3.1.51 **Operation and Maintenance of Aircraft**

At the time of Closing, with respect to all Aircraft being operated by the Corporation: (i) all systems, Aircraft engines and installed Aircraft Parts forming part of the Aircraft shall be fully operational and airworthy as per the manufacturers' specifications and as required by Applicable Law; (ii) all Aircraft shall be in full compliance with all maintenance and inspection requirements pursuant to manufacturer approved maintenance programs, including the calendar and hour limit inspections; (iii) all Aircraft shall be in full compliance with all Airworthy Directives and mandatory modification service bulletins that have been issued with respect to the Aircraft by applicable Governmental Authority or manufacturers of the Aircraft or any components forming a part thereof, each with due dates current up to and including the Closing Time; (iv) all systems, Aircraft engines and installed Aircraft Parts forming part of the Aircraft are in serviceable condition, meaning a condition which is consistent with the maintenance manual limitations applicable to each such component; and (v) with all engines and other avionics forming part of the Aircraft are fully enrolled on maintenance programs where required in accordance with Applicable Law, the requirements of manufacturers, or pursuant to the Aircraft Leases and with subscriptions fully paid to cover all hours and related charges through to the date of Closing. To the extent that any Aircraft being operated by the Corporation at the time of Closing does not comply with the foregoing, it shall be undergoing or be scheduled to undergo repair or maintenance to cause it to so comply and there shall be a proper accrual for the costs of such repairs and maintenance in the Estimated Working Capital and the Closing Working Capital. Schedule 3.1.51 sets out the current inspection status of each of the Aircraft including the type and next due date of each inspection required pursuant to Applicable Law, or the requirements of the manufacturers of the Aircraft, or pursuant to the Aircraft Leases.

3.1.52 **Damage and Repair to Aircraft**

Except as set out in Schedule 3.1.52, as amended, if necessary, at the time of Closing none of the Aircraft will have been subject to an "event of loss", "casualty insurance' or similar event or to any other material damage that could reasonably be expected to affect its value. Any prior damage, including structural damage, disclosed in Schedule 3.1.52 shall have been repaired or corrected to a permitted repair standard in accordance with Applicable Law, or the requirements of manufacturers, or as required pursuant to the Leases.

3.1.53 **Business and Assets of the Subsidiaries**

At the Closing Time: (i) Skyservice Airlines Limited, the UK Subsidiary will hold, and its business will be limited to holding, a bank account in the United Kingdom through which the Corporation's commissions on the sale of certain air tickets, denominated in euros, will be processed, and through which other transactions with respect to the Business may be processed, such bank account being listed in Schedule 3.1.37; and (ii) 4366794 Canada Inc., the Canadian Subsidiary, will have applied for, and its business will be limited to holding, a retail travel agent Licence, for the purpose of receiving commissions on the sale of certain air tickets on behalf of the Corporation, such Licence being listed in Schedule 3.1.3. This Section 3.1.53 does not limit or derogate from any of the other Business Representations and Warranties hereunder relating to the Subsidiaries.

3.1.54 **Environmental Matters**

Except as disclosed in Schedule 3.1.54 or in the Phase I Reports,

(a) the Corporation carries on the Business and operates and maintains its properties and assets used in the Business in material compliance with all Environmental Law and, to the knowledge of the Corporation, there are no facts that could give rise to a notice of non-compliance by the Corporation with any Environmental Law;

(b) the Corporation has all material Environmental Permits required for it to operate the Business and the Real Property and other property and assets of the Business as conducted by it and to own, use and operate its properties and assets used in the Business, and each such Environmental Permit held by the Corporation is valid, subsisting and in good standing, and the Corporation is not in default or breach of any such Environmental Permit and no proceeding is pending or threatened and no grounds exist to revoke or amend any such Environmental Permit; and

(c) the Corporation has not received written notice nor does the Corporation have knowledge of any facts that could give rise to any notice that the Corporation is potentially responsible for any remedial or other corrective action or any work, repairs, construction or capital expenditures to be made under any Environmental Law with respect to the Business or the assets used, operated or maintained in the conduct of the Business, including the Real Property.

3.1.55 **Disclosure**

The Business Representations and Warranties of the Corporation contained in this Agreement are true and correct as of the date hereof and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained in such representations and warranties not misleading. Except for matters disclosed herein, the Corporation has no knowledge of any facts which, if known to a reasonable purchaser, might reasonably be expected to deter such reasonable purchaser from completing the transactions contemplated hereby.

3.2 Representations and Warranties of the Principal Shareholder in Respect of Itself

The Principal Shareholder hereby represents and warrants to Holdco as set out in this Section 3.2 and acknowledges that Holdco is relying on such representations and warranties in connection with the transaction contemplated in this Agreement.

3.2.1 Incorporation, Capacity, etc.

The Principal Shareholder is a corporation duly incorporated and is organized and subsisting under the federal laws of Canada and has the corporate power and capacity to execute and deliver this Agreement and to perform its obligations hereunder. No proceedings have been taken or authorized by the Principal Shareholder or, to the Principal Shareholder's knowledge, by any other Person with respect to the bankruptcy, insolvency, liquidation, dissolution or winding up of the Principal Shareholder or with respect to any amalgamation, merger, consolidation, arrangement or reorganization of, or relating to, the Principal Shareholder.

3.2.2 Authorization of Agreement

The execution and delivery of this Agreement have been duly and validly authorized by all necessary corporate action on behalf of the directors and shareholders of the Principal Shareholder. This Agreement has been duly and validly executed and delivered by the Principal Shareholder and is a valid and binding obligation of the Principal Shareholder enforceable against it in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. Except as disclosed to Holdco and Subco in writing, there is no Legal Proceeding in progress, or, to the knowledge of the Principal Shareholder, pending or threatened against or affecting the Principal Shareholder at law or in equity or before or by any Tribunal and, to the knowledge of the Principal Shareholder, there are no grounds on which any such Legal Proceeding might be commenced with any reasonable likelihood of success nor is there any Order outstanding against or affecting the Principal Shareholder which, in any such case, might adversely affect the ability of the Principal Shareholder to enter into this Agreement or to perform its obligations hereunder.

3.2.3 Title to Purchased Shares

The Principal Shareholder is the registered and beneficial owner of the Shares as to the number shown as owned by it on Schedule 3.1.5. The Principal Shareholder now has, and on Closing Holdco, Subco or Amalco shall acquire, good title to the Principal Shareholder's Shares, free and clear of all Encumbrances and any right or claim of any other Person with

respect to the ownership and/or title, registered and/or beneficial, to its Shares. There are no restrictions of any kind on the transfer of the Principal Shareholder's Shares except those set out in the Articles of the Corporation. No Person has any agreement, option, understanding or commitment for the purchase or other acquisition from the Principal Shareholder of any of its Shares.

3.2.4 **Residence of Principal Shareholder**

The Principal Shareholder is not a "non-resident" of Canada within the meaning of the *Income Tax Act* (Canada).

3.3 **Representations and Warranties of Holdco and Subco**

Holdco and Subco jointly and severally represent and warrant to the Principal Shareholder and the Corporation as set out in this Section 3.3 and acknowledges that the Principal Shareholder and the Minority Shareholders and the Corporation are relying on such representations and warranties in connection with the transactions contemplated in this Agreement.

3.3.1 **Incorporation, Authority and Enforceability**

Each of Holdco and Subco is a corporation duly incorporated and is organized and subsisting under the federal laws of Canada and has the corporate power and capacity to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement and the completion of the transactions herein contemplated have been duly and validly authorized by all necessary corporate action on behalf of each of Holdco and Subco and this Agreement has been duly and validly executed and delivered by each of Holdco and Subco and is a valid and binding obligation of each of Holdco and Subco enforceable against each of Holdco and Subco in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

3.3.2 **Investment Canada Act**

Each of Holdco and Subco is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada).

3.3.3 **Canada Transportation Act**

Each of Holdco and Subco is a Canadian within the meaning of the *Canada Transportation Act.*

3.3.4 **Financial Ability**

Holdco and Subco have sufficient funds or funding commitments in place, and will have sufficient funds available on Closing, to complete the transactions contemplated herein, including, without limitation, to make the payments to the Depository and the Escrow Agent as provided for in Section 2.4.

3.4 **Interpretation**

All disclosure contained in a particular representation and warranty set forth in this Agreement (or in any particular Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Agreement to which such disclosure might be applicable. Notwithstanding anything else contained herein, neither the Principal Shareholder nor the Corporation shall have any liability to Holdco or Subco with respect to any failure to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out herein where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement.

3.5 **Commission**

Each Party represents and warrants to the other Party that such other Party will not be liable for any brokerage commission, finder's fee or other similar payment in connection with the transactions contemplated hereby because of any action taken by, or agreement or understanding reached by, that Party. Notwithstanding the foregoing, the Corporation shall be liable to pay a commission to Capital West Partners on the Closing Date and an accrual for this payment will be included in the Estimated Working Capital and the Closing Working Capital.

3.6 **Non-Waiver**

No investigations made by or on behalf of Holdco at any time shall waive, diminish the scope of or otherwise affect the Business Representations and Warranties. Notwithstanding the foregoing, Holdco and Subco confirm and acknowledge that they are not currently aware of any facts or matters that would make the statements contained in the Business Representations and Warranties untrue or incorrect.

3.7 **Survival of Representations and Warranties of the Corporation**

The Business Representations and Warranties shall survive the Closing and, notwithstanding the Closing or any investigation made by or on behalf of Holdco and Subco with respect thereto, shall continue in full force and effect for the benefit of Holdco, Subco and Amalco, provided, however, that no Claim in respect thereof shall be valid unless it is made:

(a) in the case of a claim in respect of a Business Representation or Warranty relating to a Tax matter, within a period commencing on the Closing Date and ending on the earlier of (i) the expiry of the last applicable limitation period under any applicable federal Tax Legislation with respect to any taxation year or period which is relevant in determining any liability under this Agreement with respect to Tax matters, and (ii) 5 years from the Closing Date;

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(b) in the case of a claim in respect of any other Business Representation or Warranty within a period of 21 months from the Closing Date;

and any such claim as aforesaid shall be made in accordance with the provisions set forth in Article 6 and, upon the expiry of the applicable limitation period referred to in clauses (a) and (b)

of this Section 3.7, the Shareholders shall have no further liability to Holdco, Subco or Amalco (or any other Person) with respect to the Business Representations and Warranties, except in respect of claims which have theretofore been made in accordance with the provisions set forth above.

3.8 Survival of Representations and Warranties of Holdco and Subco

The representations and warranties of Holdco and Subco contained in this Agreement and in any Closing Document shall continue in full force and effect for the benefit of the Principal Shareholder, the Minority Shareholders and the Corporation (prior to the Effective Time), provided, however, that no claim in respect thereof shall be valid unless it is made within a period of 21 months from the Closing Date and any such claim shall be made in accordance with the provisions set forth in Article 6 and, upon the expiry of the limitation period referred to above, Holdco and Subco shall have no further liability to the Principal Shareholder and the Minority Shareholders with respect to any of such representations or warranties, except with respect to claims which have been properly made in accordance with the provisions set forth above.

ARTICLE 4
OTHER COVENANTS OF THE PARTIES

4.1 Covenants of the Corporation

The Corporation hereby covenants and agrees with Holdco as set out in this Section 4.1.

4.1.1 Access to the Corporation and Books and Records

During the Interim Period, the Corporation shall permit Johnny Ciampi and/or such other senior officer or officers of Holdco and Subco (as previously advised to the Corporation) and their advisors and representatives of Holdco's lenders to have access to the property and assets of the Corporation and the Subsidiaries, including the Books and Records, as shall be reasonably required to facilitate the weekly status conference call contemplated below, to complete the transactions contemplated herein, and to transition ownership of the Corporation on Closing, provided that such investigations shall be carried out during normal business hours, at times arranged with, and carried out in the presence of, one or more Key Officers, and without interference with the operations of the Corporation or the Subsidiaries, and the Corporation shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of Holdco and Subco. The Key Officers shall have a weekly status conference call with Johnny Ciampi and/or such other senior officer or officers of Holdco and Subco (as previously advised) to update Holdco and Subco on material developments affecting the Business and seek any approvals required from Holdco and Subco hereunder. The Key Officers, Ron Patmore and Catherine Duff-Caron shall make themselves available to respond to inquiries from Johnny Ciampi or such other officers or advisors and representatives of Holdco's lenders. Holdco and Subco acknowledge that, notwithstanding such continuing access, the obligations of Holdco and Subco hereunder shall not be conditional upon the completion of any further satisfactory due diligence. All other conditions hereunder for the benefit of Holdco and

Subco shall continue in full force and effect in accordance with their respective terms. Accurate and complete copies of the agreements listed in Schedule 1.1F, redacted to remove commercially sensitive and proprietary information (e.g. pricing) but containing all information reasonably necessary to understand the nature and effect of such agreements, shall be delivered to Holdco within 5 Business Days of the date hereof.

4.1.2 **Consents and Approvals**

Commencing forthwith after the date hereof the Corporation shall use commercially reasonable efforts to obtain, at or prior to the Closing Time, all Consents, the Interim Order, the Required Shareholder Approval, the Final Order and the items required in connection therewith, and all Regulatory Approvals. Provided the Corporation shall not be obliged to make any payment, post additional security or similar obligations, or otherwise incur any expenses or liability to obtain a particular Consent (other than reasonable administration or similar fees, or payment or obligations that do not result in a decrease in Estimated Closing Working Capital or Closing Working Capital (collectively, "**Transfer Administration Fees**")), and if any such expense or decrease in working capital is caused by the Person being asked to provide such Consent requiring any additional payment or security because of changes to the financial condition of the Corporation following Closing, such amount, other than Transfer Administration Fees, shall be for the account of Holdco (or Amalco after Closing) and shall not be a deduction for the purposes of the Estimated Closing Working Capital or Closing Working Capital, provided that the Corporation shall act reasonably in making any such payment and, other than Transfer Administration Fees, notify Holdco of any such matters at least 3 Business Days prior to payment. The Corporation will keep Holdco regularly informed of the negotiations relating to the consent referred to in Section 5.2.3.

4.1.3 **Conduct of the Business**

(a) During the Interim Period, the Corporation shall use commercially reasonable efforts to:

(i) carry on the Business in the ordinary course (except as may be otherwise required or contemplated by the provisions of this Agreement) and in compliance with Applicable Law and perform its obligations under all Contracts, Leases and Equipment Leases;

(ii) use commercially reasonable efforts to preserve the Business and the goodwill of Suppliers, customers and others having business relations with the Corporation and maintain in full force and effect all rights in the Intellectual Property owned by the Corporation and all licence agreements or arrangements with respect to the Intellectual Property;

(iii) use commercially reasonable efforts to retain the services of the present executives, Employees, consultants and advisors of or to it (except as may be otherwise required or contemplated by the provisions of this Agreement);

(iv) continue in full force and effect the insurance coverage referred to in Subsection 3.1.31, take out such additional insurance as may be required in the ordinary course of the Business and give all notices and present all claims under all insurance policies in a due and timely fashion.

(v) prepare and file in a timely manner all Tax Returns required to be filed by it and pay all Taxes required under any applicable Tax Legislation to be paid by it on or prior to the date hereof and to ensure that all such Tax Returns are true, correct and complete;

(vi) pay within the time prescribed by any applicable Tax Legislation any required instalments of Taxes;

(vii) make adequate provision in its Books and Records for the Taxes which relate to any taxation year or part thereof ending or arising before the Closing Date or ending as a consequence of the Closing which are not yet due and payable and for which Tax Returns are not yet required to be filed;

(viii) withhold from each payment made by it the amount of all Taxes and other deductions required under any applicable Tax Legislation to be withheld therefrom and pay all such amounts withheld to the relevant taxing or other authority within the time prescribed under any applicable Tax Legislation; and

(ix) refrain from entering into any arrangements to provide for an extension of time with respect to any assessment or reassessment of Tax, the filing of any Tax Return or the payment of any Tax by it without the prior written consent of Holdco.

(b) During the Interim Period, neither the Corporation nor the Subsidiaries (except as may be otherwise required or contemplated by the provisions of this Agreement), without the prior written consent of Holdco, not to be unreasonably withheld or delayed shall:

(i) become a party to or bound by or subject to any new agreement, contract or commitment with any Interested Person or amend or concur in the amendment of any such existing agreement, contract or commitment or make or authorize any payment to or for the benefit of any Interested Person at a rate greater than as described in Subsection 3.1.19 other than such as is required or scheduled by an existing policy or is consistent with past practice as to periodic review and adjustment of Employee Benefit Plans, provided that none of the foregoing shall be material;

(ii) become a party to or bound by or subject to any material amendment, or incur any material amendment, of any of the Material Contracts (including the Tour Operator Agreements) or any subleases of Aircraft by or to the Corporation other than in the ordinary course of business, provided that

none of which shall be material, and Holdco acknowledges and agrees that the Corporation will be entering into additional leases or subleases of Aircraft and the charter agreements for the Corporation's winter season in the ordinary course of business for the type of aircraft and on terms consistent with past practice;

(iii) make any capital expenditure (except in the ordinary course of business pursuant to existing commitments as set out in the approved capital budget disclosed to Holdco or its Affiliates) or authorize any new capital expenditure in excess of $25,000 in the aggregate;

(iv) except as described in Schedule 3.1.18, become a party to or bound by or subject to any new agreement or arrangement with respect to Employee Benefits Plans (other than an employment or personal services agreement or arrangement which is terminable by the Corporation or the Subsidiaries without liability on no more than 30 days' notice) or amend or concur in the amendment of or increase any payment or obligation under any existing agreement or arrangement with respect to Employee Benefit Plans other than such as is required or contemplated by an existing policy or practice as to periodic review and non-material adjustment of Employee Benefit Plans, provided that any employee bonus accrued but unpaid shall be taken into account in determining the Estimated Closing Working Capital and the Closing Working Capital;

(v) other than as contemplated herein or in the Plan of Arrangement, take any step to dissolve, wind-up or otherwise affect its continuing corporate existence or amalgamate or merge with any Person or amend the Corporation's Articles or by-laws;

(vi) make any loan to or investment in any other Person;

(vii) become a party to or bound by or subject to any new Debt Instrument or amend or concur in the amendment of or prepay or vary the terms of any indebtedness or other obligation under any existing Debt Instrument, including letters of credit, other than in the ordinary course, consistent with past practice, and other than the mortgage on 31 Fasken Drive, Etobicoke, with First National Financial Corporation which shall be discharged at or prior to the Closing Time as provided for in Section 5.1.14;

(viii) become a party to or bound by or subject to any new Guarantee;

(ix) declare or pay any dividend (other than the dividend declared in July 2007) or make any other distribution (whether out of capital or surplus or otherwise) on any of its outstanding securities or redeem, purchase or otherwise acquire any of its outstanding securities, provided that the Corporation shall be entitled to pay a dividend, or otherwise make a

distribution to Shareholders which will not in any event reduce the Estimated Closing Working Capital below $8,152,000;

(x) purchase, sell or lease any property or assets other than in the ordinary course of business;

(xi) cancel, waive or vary the terms of any material debt owing to or any material claim or right of the Corporation;

(xii) except as is required in connection with the existing conversion rights attached to the Shares that are convertible in accordance with their terms, issue any shares or other securities or make any change in the number or class of or rights attached to any issued or unissued shares of its capital stock or grant, issue or make any option, warrant, subscription, convertible security or other right or commitment to purchase or acquire any shares of its capital stock or other securities;

(xiii) incur any material obligation or liability except in the ordinary course of business or make, authorize or accept any early payment of any material existing obligation or liability at a discount;

(xiv) make any material changes to the accrual or release of maintenance reserves outside of normal accounting practices or inconsistent with past practice;

(xv) create or permit the creation of any new Encumbrance on any of its property or assets (except for any Permitted Encumbrance) or amend or concur in the amendment of any such existing Encumbrance;

(xvi) terminate, transfer, assign, modify or change, or grant any rights under, any material Intellectual Property other than in the ordinary course of business;

(xvii) other than in the ordinary course of business, make changes to or alter the physical content or character of any inventories or Aircraft Parts Inventory of the Business so as to materially affect the nature of the Business or materially and adversely change the value of such inventories or Aircraft Parts Inventory from that reflected in the Audited Financial Statements; or

(xviii) take or refrain from taking any other action that would cause any of the Business Representations and Warranties to be false or misleading in any material respect;

nor agree or become bound to do any of the foregoing.

4.1.4 **No Solicitation**

During the Interim Period, the Corporation shall:

(a) not (directly or indirectly) solicit, initiate or encourage the solicitation of, other offers or proposals relating to any liquidation, dissolution, merger or consolidation with or into, transfer control of, or the purchase of the Shares or a substantial portion of the assets of the Corporation or the Subsidiaries;

(b) cease all discussions or communications with others with respect to the purchase of the Business or any of the Shares or a substantial portion of the assets of the Corporation or the Subsidiaries, except for declining unsolicited approaches;

(c) not (directly or indirectly) conclude any agreements or understandings with others with respect to the purchase of any of the Shares or a substantial portion of the assets of the Corporation or the Subsidiaries; and

(d) not provide confidential information concerning the Corporation or its Subsidiaries (except in the ordinary course of business) to any third party other than as may be required to facilitate the transactions contemplated by this Agreement.

The Corporation shall promptly provide Holdco with notice of any unsolicited offers or other communications made in writing, received during the Interim Period relating to the potential purchase of Shares or a substantial portion of the assets of the Corporation or the Subsidiaries.

4.1.5 **Disclosure of Material Change**

Until the Closing, in the event that there is a change or event that has or might reasonably be excepted to have a Material Adverse Effect on the Corporation or the Business, or that has come to the attention of the Corporation that would cause any of the Business Representations and Warranties to not be true in any material respect or affect the ability of the Principal Shareholder or the Corporation to complete the Arrangement in compliance with their respective obligations hereunder, on or prior to Closing, the Corporation shall promptly disclose particulars of such change or event to Holdco.

4.1.6 **Amalco Funds**

The Corporation agrees to have available, immediately prior to the Closing Time, immediately available funds (the "**Amalco Funds**") in the amount of not less than $31 million to allow Holdco to cause Amalco to deposit the Amalco Funds with the Depository in conjunction with the Closing as provided in Section 2.4(a). The approval of such deposit shall be given by Amalco's board of directors. The amount of the Amalco Funds will be reduced by the same proportion as the Shares held by Dissenting Shareholders, if any, who have maintained their Dissent right bears to the Aggregate Number of Shares. Any and all interest earned on the Amalco Funds shall belong to Amalco and be paid in accordance with the Depository Agreement. As between Amalco and Holdco, provided that the Amalco Funds are received by the Depository in conjunction with Closing, the structuring of the payment of the Amalco Funds to Amalco and the deposit of the Amalco Funds with the Depository shall be determined in their discretion.

4.2 **Covenants of the Principal Shareholder**

The Principal Shareholder hereby covenants and agrees with Holdco and Subco as set out in this Section 4.2.

4.2.1 **Litigation Support**

Following the Closing, the Principal Shareholder will, at Amalco's expense take reasonable steps and actions to assist in and co-operate with Amalco in connection with the Legal Proceedings or threatened Legal Proceedings to which the Corporation is a party or otherwise involved at the Closing Time (the "**Existing Legal Proceedings**") including, without limitation, furnishing information, making its officers and directors (including Russell Payson) having knowledge of or involvement in any such Legal Proceedings or threatened Legal Proceedings, available to provide evidence. Amalco shall have exclusive control over the prosecution, settlement or defence of any such Existing Legal Proceedings.

4.2.2 **No Solicitation**

During the Interim Period, the Principal Shareholder shall:

(a) not (directly or indirectly) solicit, initiate or encourage the solicitation of, other offers or proposals relating to any liquidation, dissolution, merger or consolidation with or into, transfer control of, or the purchase of the Shares or a substantial portion of the assets of the Corporation or the Subsidiaries;

(b) cease all discussions or communications with others with respect to the purchase of the Business or any of the Shares or a substantial portion of the assets of the Corporation or the Subsidiaries, except for declining unsolicited approaches;

(c) not (directly or indirectly) conclude any agreements or understandings with others with respect to the purchase of any of the Shares or a substantial portion of the assets of the Corporation or the Subsidiaries; and

(d) not provide confidential information concerning the Corporation or its Subsidiaries (except in the ordinary course of business) to any third party other than as may be required to facilitate the transactions contemplated by this Agreement.

The Principal Shareholder shall promptly provide Holdco with notice of any unsolicited offers or other communications made in writing, received during the Interim Period relating to the potential purchase of Shares or a substantial portion of the assets of the Corporation or the Subsidiaries.

4.3 **Covenants of Holdco and Subco**

Holdco and Subco hereby jointly and severally covenant and agree with the Principal Shareholder and the Corporation as set out in this Section 4.3.

4.3.1 **Confidentiality**

(a) During the Interim Period, Holdco and Subco shall keep confidential any trade secrets, know-how or confidential, personal or proprietary information and any financial or business documents or information, including personnel and payroll records and Contracts (collectively in this Subsection 4.3.1 the "**Information**") received by it or any of its Affiliates from or to which it or any of its Affiliates is given access by, the Principal Shareholder, the Corporation or the Subsidiaries concerning the Principal Shareholder, the Corporation, the Subsidiaries or the Business and shall not disclose any Information to any third party, provided that any Information may be disclosed to Holdco's and Subco's advisors who need to know such Information in connection with the transactions herein contemplated. Holdco and Subco shall use all reasonable efforts to ensure that Holdco's and Subco's advisors keep confidential any Information disclosed to them and shall be liable for any failure by them to keep such information confidential. Notwithstanding the foregoing, Holdco and Subco will not be liable for disclosure of any Information upon the completion at the Closing of the transactions herein contemplated if:

(i) the Information becomes generally known in the industry to which the Business is related other than through a breach of this Agreement;

(ii) the Information is lawfully obtained from a third party without breach of this Agreement by Holdco or Subco, provided such third party is not known by Holdco or Subco to be bound by any obligations of confidentiality to the Principal Shareholder or the Corporation;

(iii) the Information was known to Holdco or Subco prior to its disclosure by the Principal Shareholder or the Corporation as demonstrated by Holdco or Subco;

(iv) the Information is required to be disclosed pursuant to the requirements of Applicable Law; or

(v) any of the Principal Shareholder or the Corporation, or any individual to whom Personal Information pertains, provides its or their prior written consent to such disclosure by Holdco or Subco.

(b) If this Agreement is terminated in accordance with the provisions hereof or if the transaction is not completed for any reason, Holdco and Subco shall:

(i) use all reasonable efforts to ensure that all Information and all copies thereof are either destroyed or returned to the Corporation if it so requests so that, so far as possible, any Information obtained during and as a result of any investigation by Holdco's and Subco's advisors is not disseminated beyond those Persons concerned with such investigations; and

(ii) not, directly or indirectly, use for its own purposes, any Information discovered or acquired by Holdco's and Subco's advisors as a result of the Principal Shareholder or the Corporation making available to them the Information.

The foregoing covenants in this Subsection 4.3.1 shall not be considered to be in substitution for, but shall be additional to, the rights and liabilities of the Parties set out in the Confidentiality Agreement and, for certainty, each of Holdco and Subco agree to be bound by the Confidentiality Agreement as if an original party thereto and shall be subject to the same obligations of Second City Capital thereunder.

4.3.2 **Retention of Books and Records**

(a) Holdco and Subco shall cause Amalco and its successors from and after the Closing Date to retain all Books and Records relating to any period ending on or prior to the Closing Date for a period of 6 years following the Closing Date. So long as such Books and Records and other documents, information and files are retained by Amalco, subject to Privacy Law and the provisions hereof, the Principal Shareholder and the Minority Shareholder Representative shall have the right to inspect and make copies of the same for any legitimate business purposes related to this Agreement and the transactions contemplated herein at the expense of the Principal Shareholder and the Minority Shareholders during normal business hours and upon reasonable notice, provided that the Principal Shareholder and the Minority Shareholder Representative shall hold any materials received pursuant to this Section 4.3.2(a) in strict confidence in accordance with the provisions of Section 4.3.1, *mutatis mutandis*.

(b) After Closing, Holdco and Subco agree to cause Amalco and its successors and their employees, agents, representatives and auditors, at the expense of the Principal Shareholder and the Minority Shareholders, to cooperate in a reasonable manner with the Principal Shareholder, the Minority Shareholder Representative and the Principal Shareholder's and Minority Shareholder Representative's agents, representatives and auditors for the purposes of the preparation of the Principal Shareholder's and Minority Shareholders' accounts and tax returns and in providing all information required for legal, filing and regulatory purposes. Without limiting the generality of the foregoing, Holdco shall, upon reasonable notice, cause Amalco to provide to Persons so designated by the Principal Shareholder and the Minority Shareholder Representative for such purpose, its agents, representatives and auditors reasonable access during normal business hours to all Books and Records necessary for the preparation of such accounts and Tax returns and for gathering the required information for legal, filing and regulatory purposes together with the assistance of those Employees of Amalco that such Persons may reasonably request.

4.3.3 **Preparation of Tax Returns**

Amalco shall prepare all Tax Returns required to be filed for any taxation year ending on or before the Closing Date which are due after the Closing Date, including all Tax

Returns required to be filed by it for the taxation year ending as a consequence of the Closing. Amalco shall provide the Principal Shareholder and the Minority Shareholder Representative with draft copies of such Tax Returns and permit the Principal Shareholder and the Minority Shareholder Representative to provide comments thereon to Amalco, which shall give reasonable consideration thereto, provided that the form and content of such Tax Returns filed with the applicable Governmental Authority shall be determined by Amalco in its sole discretion. Notwithstanding the foregoing, the Parties agree that such Tax Returns for the taxation period ending as a consequence of the Closing will be filed to be consistent with and reflect the accrual for Taxes on the Closing Working Capital (as finally determined) and if Amalco shall file such Tax Returns for such period that is not in compliance with the above, Amalco shall have no Claim against the Principal Shareholder or the Minority Shareholders under Article 6, or otherwise, as a result of such filing.

4.3.4 **Directors and Officers Insurance**

All rights to indemnification existing in favour of those Persons who are directors and officers of the Corporation as of the date of this Agreement and/or on the Closing Date (the "**Indemnified Managers**") for their acts and omissions occurring prior to the Effective Time, as provided in the by-laws of the Corporation, in individual indemnification agreements and in accordance with the provisions thereof and Applicable Law, shall survive the Arrangement and shall be the obligation of Amalco until the expiration of the applicable limitations period with respect to any claims against the Indemnified Managers arising out of such acts of omissions. Prior to the Effective Time, the Corporation will subscribe for Directors and Officers "Run-Off" liability coverage which shall cover a period of 6 years after the Effective Time. The premium for such liability coverage shall be paid by the Corporation on or immediately prior to the Effective Time and shall be deducted from the Estimated Working Capital and the Closing Working Capital.

The provisions of this Section 4.3.4 are intended to be for the benefit of, and will be enforceable by, each Indemnified Manager, his or her heirs and his or her representatives and are in addition to, and not in substitution for, any other rights to indemnification or contribution that any Indemnified Manager may have by contract or otherwise.

4.3.5 **Maestro and ATSC Receivables**

After Closing, Amalco shall continue to take all reasonable steps (based on the advice received from Amalco's legal advisors, taking into account the prior legal advice given to the Corporation) to obtain payment of all outstanding amounts due or potentially payable to the Corporation from Vacances Maestro and in respect of the Air Travellers Security Charge referred to on Schedule 3.1.38, and will keep the Principal Shareholder and Minority Shareholder Representative informed with respect thereto. Any amounts received by Amalco in respect of such matters will be promptly paid to the Shareholders in such manner as directed in writing by the Principal Shareholder and the Minority Shareholder Representative and shall be treated as an increase in the Purchase Price or the Redemption Price, as applicable.

4.4 **Mutual Covenants**

Each Party hereby covenants and agrees with the other Party as follows:

4.4.1 **Cooperation**

The Parties shall cooperate fully in good faith with each other and their respective Representatives, with all Parties acting reasonably, in connection with any steps required to be taken as part of their respective obligations under this Agreement including, without limitation, settling of the final form of Exhibits A, C, D, E and G and the documents contemplated by Section 5.1.11.

4.4.2 **Competition Act (Canada)**

Holdco and Subco shall promptly, but in no event later than 5 Business Days after the date hereof file with the Commissioner of Competition (the "**Commissioner**") appointed under the *Competition Act* (Canada) an application for an advanced ruling certificate to be issued pursuant to section 102 of the *Competition Act* (Canada). The Corporation shall cooperate fully with Holdco and Subco in the preparation of the application. All competitively sensitive information exchanged by the Parties in the preparation of the application will be exchanged on an outside counsel basis only, provided that Holdco shall have full access thereto if the Closing occurs. The filing fees associated with the application shall be paid by Holdco.

4.4.3 **Transitional Services Agreement**

Holdco, Subco, the Corporation and the Principal Shareholder shall, in good faith and acting reasonably, negotiate the terms of the Transitional Services Agreement, which shall incorporate the terms set out in Exhibit D and other terms and provisions customary for comparable agreements.

4.4.4 **Use of the SKYSERVICE Trade-marks**

The Principal Shareholder currently owns a registered trade mark in the United States for the Skyservice Trademark and a trade mark application in Canada for the Skyservice Trademark. The registered trade mark and trade mark application and all domain names listed in Schedule 3.1.42 shall be assigned absolutely to the Corporation at the Time of Closing in forms acceptable to Holdco, Subco and the Principal Shareholder, acting reasonably. At the Time of Closing and concurrently with the assignment to the Corporation of the registered trade mark and trade mark application and all domain names including the word "Skyservice", the Corporation shall enter into the Trade Mark License Agreement with the Principal Shareholder relating to the use of and certain potential registration rights relating to the Skyservice Trademark. If prior to Closing, the Principal Shareholder completes or agrees to enter into a Major Transaction (as defined in the Trade Mark Licence), the Principal Shareholder shall ensure that the provisions of the Trade Mark Licence relating to such Major Transaction are complied with as if such Major Transaction was completed after the Trade Mark Licence is in effect.

ARTICLE 5
CONDITIONS OF CLOSING

5.1 **Conditions for the Benefit of Holdco and Subco**

The transactions herein contemplated are subject to the conditions precedent set out in this Section 5.1, each of which is hereby declared to be for the exclusive benefit of Holdco and Subco. Each of such conditions is to be satisfied in full at or prior to the Closing Time. The Corporation and, to the extent only of its own obligations hereunder, the Principal Shareholder, covenant and agree to use their commercially reasonable efforts to cause each of such conditions to be fulfilled at or prior to the Closing Date.

5.1.1 **Representations, Warranties and Covenants**

(a) All Business Representations and Warranties and the representations and warranties of the Principal Shareholder made in or pursuant to this Agreement shall have been true and correct in all material respects on the date hereof and, except as contemplated or permitted or not prohibited by this Agreement to change during the Interim Period, shall be true and correct in all material respects at the Closing Time with the same force and effect as if such representations and warranties had been made at and as of the Closing Time; provided that (i) all such Business Representations and Warranties and representations and warranties made in or pursuant to this Agreement that contain an express materiality qualification shall have been true and correct in all respects on the date hereof and shall be true and correct in all respects at the Closing Time as if such Business Representations and Warranties and representations and warranties had been made at and as of the Closing Time, except as contemplated, permitted or not prohibited to change as set out above, and (ii) Business Representations and Warranties and representations and warranties that are made as of a specific date need to be true in all material respects only as of such date.

(b) The Principal Shareholder and the Corporation shall have performed or complied with, in all material respects, all obligations, covenants and agreements contained in this Agreement to be performed by them at or prior to the Closing Time.

(c) As evidence of the satisfaction of the conditions in subsections 5.1.1(a) and (b), each of the Principal Shareholder and the Corporation shall deliver to Holdco at the Closing Time a certificate of each of the Principal Shareholder and the Corporation, respectively, confirming the matters in subsections 5.1.1(a) and 5.1.1(b), as they pertain to them, and to the effect that as of the Closing Time all other conditions set forth in this Section 5.1, to be satisfied by the Principal Shareholder or the Corporation as the case may be, have been satisfied. Such certificates shall be signed by, respectively, a senior officer of the Principal Shareholder and a senior officer of the Corporation. To the extent that the matters set out in subsection 5.1.1(a) cannot be so confirmed, such certificate shall set out the facts or circumstances that constitute or result in a change to the representations and warranties and the receipt of such certificate and the completion of the transactions herein contemplated by Holdco and Subco shall not constitute a waiver of any breach or inaccuracy in such representations and warranties to the extent set out in such certificate, and shall not have the effect of modifying or qualifying the affected representations and warranties the Corporation and the Principal Shareholder each made (or, for purposes of Section 6.1, deemed to have been made) in or pursuant to this Agreement (including for the purposes of indemnification under Article 6), provided that Holdco and Subco shall have the option of either terminating this Agreement (in which case Section 5.4 shall apply) or completing the transactions hereunder, and in the latter case Amalco shall be entitled to recover

70% of any Loss suffered or incurred by Amalco in respect of the matter which cannot be so confirmed.

5.1.2 **Legal Opinion**

A legal opinion of Messrs. Fraser Milner Casgrain LLP dated the Closing Date and being substantially in the form customary for transactions of this nature and acceptable to Holdco and Subco, acting reasonably, at the Closing Time.

5.1.3 **No Adverse Change**

During the Interim Period, there shall have been no change in the Business, or in the operations, affairs, or condition (financial or otherwise) of the Corporation or the Subsidiaries, on a consolidated basis which have, or could have, a Material Adverse Effect on the Corporation, Amalco or the Business.

5.1.4 **Consents**

All Consents necessary to keep the Material Contracts in full force and effect and to enable the Corporation, Amalco and the Subsidiaries to continue to enjoy all material rights and benefits thereunder shall have been granted, obtained and received unconditionally or on terms satisfactory to Holdco, acting reasonably.

5.1.5 **Competition Act**

Competition Act Approval shall have been obtained.

5.1.6 **Regulatory Approvals**

All Regulatory Approvals required to keep the Material Licences in good standing and to otherwise enable the Corporation, Amalco and the Subsidiaries to continue to enjoy all rights and benefits thereunder and to carry on the Business after the Closing in the same manner as it is currently carried on shall have been granted, obtained and received unconditionally or on terms satisfactory to Holdco and Subco, acting reasonably.

5.1.7 **Required Shareholder Approval, Court Orders and Certificate and Arrangement**

(i) The Arrangement Agreement shall have been approved by Required Shareholder Approval and otherwise in accordance with the requirements of the CBCA and any other Applicable Law;

(ii) A non-appealable Final Order shall have been obtained in accordance with Article 2 hereof and shall not have been set aside or modified in a manner that is unacceptable to Holdco and Subco, on appeal or otherwise; and

(iii) The Articles of Arrangement shall have been filed and the Certificate of Arrangement in respect thereof shall have been issued consistent with the provisions hereof.

5.1.8 **No Legal Proceedings**

No Order shall have been made and no *bona fide* Legal Proceeding shall have been commenced or shall be pending or threatened against the Corporation, the Subsidiaries or any Party which enjoins, restricts or prohibits, or which asserts a claim or seeks a remedy that would have the effect of enjoining, restricting or prohibiting the completion of the transactions herein contemplated, or which, in the result, could prohibit or restrict the Corporation, Amalco or the Subsidiaries from carrying on the Business in the ordinary course after Closing.

5.1.9 **Resignations and Releases**

Such of the directors and officers of the Corporation and, as applicable, the Subsidiaries as designated by Holdco shall have resigned, or resigned from the offices so designated, and the resigning individuals shall have executed a release against the Corporation and the Subsidiaries up to the Closing Time substantially in the form of Exhibit C. Such releases shall preserve the right of the resigning individuals to be indemnified by the Corporation, and following the Closing, Amalco, in accordance with any indemnification agreement, applicable by-laws and Applicable Law in respect of their service up to the Closing Time.

5.1.10 **Closing Documents**

Holdco and Subco shall have received such other documentation reasonably required by Holdco and Subco to implement the transactions herein contemplated, all of which shall be satisfactory in form and substance to counsel for Holdco, acting reasonably.

5.1.11 **Employment Agreements**

The Key Officers shall have entered into employment agreements with the Corporation, and non-competition/non-solicitation/confidentiality agreements, to be effective on Closing, the forms of which are subject to final agreement between Holdco and the Key Officers;

5.1.12 **Non-Competition/Non-Solicitation Agreements**

Non-Competition/Non-Solicitation/Confidentiality Agreements substantially in the form of agreement attached hereto as Exhibit E, which reflects the substance of the agreement of the parties thereto in its entirety, shall have been entered into by the Principal Shareholder, the other BAS Group Companies, L. Russell Payson and Ron Patmore with Holdco, Subco and the Corporation. The agreements to be entered into with L. Russell Payson and Ron Patmore shall not include reciprocal covenants of the Corporation, Holdco and Subco and shall include such other provisions as are mutually agreed upon by the parties thereto, acting reasonably, including, without limitation, an exception in favour of L. Russell Payson to become a director on certain boards of directors.

5.1.13 **Termination of the Respective Rights Agreement**

The Principal Shareholder and the other parties to the Respective Rights Agreement shall have entered into a termination agreement in a form acceptable to Holdco and Subco acting reasonably.

5.1.14 **Intercompany Loans, Restructuring Debt and Mortgage Discharge**

The Corporation shall have fully satisfied, and discharged all intercompany loans, restructuring debt and the commitment letter and mortgage with First National Financial Corporation dated March 19, 2003 and shall provide documentary evidence satisfactory to Holdco and Subco, acting reasonably, of such discharges and the payments in respect of the foregoing shall be taken into account in determining the Estimated Closing Working Capital and the Closing Working Capital or otherwise to reduce the Purchase Price or Redemption Price, as applicable.

5.1.15 **Continuance of Agreements with First Choice and MyTravel Agreements**

Holdco and Subco shall have received from each of First Choice Canada Inc. and MyTravel Canada Holdings Inc. the acknowledgment certificate in the form acceptable to Holdco and Subco.

5.1.16 **Arrangements relating to the Skyservice Trade Mark**

The Skyservice Trade Mark shall have been assigned by the Principal Shareholder to the Corporation and the Trade Mark License shall have been executed by the Principal Shareholder.

5.1.17 **Change of Name of Skyservice Aviation Inc.**

Prior to Closing, Skyservice Aviation Inc. shall have changed its name to Skyservice Business Aviation Inc. or such other name that is not contrary to the Trade Mark License.

5.1.18 **Deposit of Amalco Funds**

The Amalco Funds shall be available to enable Amalco to provide such funds to the Depository as provided in Section 4.1.6.

5.1.19 **Special Incentive Program**

In respect of the three Special Incentive Offers identified on Schedule 3.1.7, the Corporation and the named employees entitled thereto shall have waived the requirement that the after tax amounts payable under such offers be used to acquire Shares, and any cash payment in lieu of the issuance of such Shares to such named employees will have been paid or accrued as a liability for the purposes of the Estimated Closing Working Capital and the Closing Working Capital.

5.2 **Conditions for the Benefit of the Principal Shareholder and the Corporation**

The transactions herein contemplated are subject to the conditions precedent set out in this Section 5.2, each of which is hereby declared to be for the exclusive benefit of the Principal Shareholder and the Corporation. Each of such conditions is to be satisfied in full at or prior to the Closing Time. Holdco and Subco covenant and agree to use commercially reasonable efforts to cause each of such conditions to be fulfilled at or prior to the Closing Time.

5.2.1 **Truth of Representations and Warranties of Holdco and Subco**

(a) The representations and warranties of Holdco and Subco made in or pursuant to this Agreement shall have been true and correct in all material respects on the date hereof and shall be true and correct in all material respects at the Closing Time with the same force and effect as if such representations and warranties had been made at and as of the Closing Time.

(b) Holdco and Subco shall have performed or complied with, in all material respects, all obligations, covenants and agreements contained in this Agreement to be performed by them at or prior to the Closing Time.

(c) As evidence of the satisfaction of the conditions in subsections 5.2.1(a)and (b), Holdco and Subco shall deliver to the Principal Shareholder and the Corporation at the Closing Time a certificate of Holdco and Subco confirming the matters in subsections 5.2.1(a)and (b) and to the effect that as of the Closing Time all other conditions set forth in this Section 5.2 have been satisfied. The certificate shall be signed by the President or a Vice-President and by the Secretary or Treasurer of, as applicable, Holdco and Subco.

5.2.2 **Legal Opinion**

A legal opinion of Cassels Brock & Blackwell LLP dated the Closing Date, in favour of the Shareholders, and being substantially in a form customary for transactions of this nature and acceptable to the Principal Shareholder and the Minority Shareholder Representative, acting reasonably, at the Closing Time.

5.2.3 **Consents**

The Consent required under the Lease for Hangars #6 and #6A shall have been granted, obtained and received.

5.2.4 **Competition Act**

Competition Act Approval shall have been obtained.

5.2.5 **Regulatory Approvals**

All Regulatory Approvals required to keep the Material Licences in good standing as a result of the transactions contemplated herein shall have been granted, obtained and received.

5.2.6 **Required Shareholder Approval, Final Order, Interim Order and Certificate of Arrangement**

(i) The Arrangement Agreement shall have been approved by Required Shareholder Approval and otherwise in accordance with the requirements of the CBCA and any other Applicable Law;

(ii) A non-appealable Final Order shall have been obtained in accordance with Article 2 hereof and shall not have been set aside or modified in a manner that is unacceptable to Holdco and Subco and, if such modification results in a material liability or potential material liability for Shareholders, the Corporation, on appeal or otherwise; and

(iii) The Articles of Arrangement shall have been filed and the Certificate of Arrangement in respect thereof shall have been issued consistent with the provisions hereof.

5.2.7 **No Legal Proceedings**

No Order shall have been made and no *bona fide* Legal Proceeding shall have been commenced or shall be pending or threatened against the Corporation, the Subsidiaries or any Party which enjoins, restricts or prohibits, or which asserts a claim or seeks a remedy that would have the effect of enjoining, restricting or prohibiting the completion of the transactions herein contemplated, or which, in the result, could prohibit or restrict the Corporation or the Subsidiaries from carrying on the Business in the ordinary course after Closing.

5.2.8 **Releases**

Each of the Corporation and the Subsidiaries shall have executed and delivered general releases from them in favour of all directors of the Corporation and the Subsidiaries and officers who are not continuing in any capacity with the Corporation and the Subsidiaries after Closing with respect to all claims against such directors and applicable officers in respect of their service up to the Closing Time (other than claims arising pursuant to the confidentiality agreements referred to in Section 5.1.9), substantially in the form of Exhibit C.

5.2.9 **Closing Documents**

The Corporation shall have received such other documentation reasonably required by the Corporation to implement the transactions herein contemplated, all of which shall be satisfactory in form and substance to counsel for the Corporation, acting reasonably.

5.2.10 **Non-Competition/Non-Solicitation Agreements**

The Non-Competition/Non-Solicitation/Confidentiality Agreement referred to in Section 5.1.12 shall have been entered into by the Principal Shareholder, the other BAS Group Companies, Holdco, Subco and the Corporation.

5.2.11 **Deposit of Holdco Funds**

Sufficient funds (net of the Amalco Funds to be deposited as provided in Section 4.1.6) shall have been deposited by Holdco with the Depository and the Escrow Agent in conjunction with the Closing in order that the Purchase Price and the Redemption Price due at or shortly following Closing as provided for herein and under the Plan of Arrangement can be paid by Holdco or Amalco, as applicable, and the Escrowed Amounts shall be received by the Escrow Agent as provided in Section 2.4.

5.2.12 **Directors and Officers Insurance**

The Indemnified Managers shall have received evidence of the directors and officers insurance as provided for in Section 4.3.4.

5.2.13 **Trade-Mark License**

The Corporation shall have executed and delivered the Trade Mark License.

5.3 **Waiver**

Either Party may waive, in whole or in part, by notice to the other Party, any condition set forth in this Article 5 which is for its benefit. No waiver by a Party of any condition, in whole or in part, shall operate as a waiver of any other condition. Subject to Section 5.1.1(c), the waiver in whole or in part by either Party of any condition requiring the accuracy of a representation or warranty or the performance of or compliance with a covenant shall not affect the right of that Party for any Loss suffered or incurred by that Party based upon that misrepresentation or breach of warranty or upon the failure to observe or perform that covenant. The conditions set out in Sections 5.1 and 5.2 shall conclusively be deemed to have been satisfied, waived or released when, with the agreement of the Parties, the Certificate of Arrangement is issued.

5.4 **Failure to Satisfy Conditions**

Subject to Section 7.6, if any condition set forth in Sections 5.1 or 5.2 is not satisfied at the Closing Time, or if it becomes apparent that any such condition cannot be satisfied at the Closing Time, any Party entitled to the benefit of such condition (the "**First Party**") may terminate this Agreement by notice in writing to the other Parties and in such event:

(a) if the First Party is the Principal Shareholder or the Corporation, unless Holdco can show that the condition or conditions which have not been satisfied and for which the Principal Shareholder or the Corporation has terminated this Agreement are reasonably capable of being performed or caused to be performed by the Principal Shareholder or the Corporation or have not been satisfied by reason of a default by the Principal Shareholder or the Corporation hereunder, the Principal Shareholder and the Corporation shall be released from all obligations hereunder;

(b) if the First Party is the Principal Shareholder or the Corporation, unless the Principal Shareholder or the Corporation can show that the condition or conditions which have not been satisfied and for which the Principal Shareholder or the Corporation has terminated this Agreement are reasonably capable of being performed or caused to be performed by Holdco or have not been satisfied by reason of a default by Holdco hereunder, then Holdco shall also be released from all obligations hereunder;

(c) if the First Party is Holdco, unless the Principal Shareholder or the Corporation can show that the condition or conditions which have not been satisfied and for which Holdco has terminated this Agreement are reasonably capable of being performed or caused to be performed by Holdco or have not been satisfied by reason of a default by Holdco hereunder, then Holdco shall be released from all obligations hereunder; and

(d) if the First Party is Holdco, unless Holdco can show that the condition or conditions which have not been satisfied and for which Holdco has terminated this Agreement are reasonably capable of being performed or caused to be performed by the Principal Shareholder or the Corporation or have not been satisfied by reason of a default by the Principal Shareholder or the Corporation hereunder, then the Principal Shareholder and the Corporation shall also be released from all obligations hereunder,

provided, however, that no release of obligations under this Section 5.4 shall release any Party from any obligation under Section 3.5, Subsection 4.3.1, Section 7.2 or Section 7.5.

5.5 **Damage or Expropriation**

If, prior to the Closing Time, all or any portion of the property or assets of the Business having a replacement cost of at least $5,000,000 if fully covered by insurance and $500,000 if not fully covered by insurance, are substantially destroyed or substantially damaged by fire or other hazard or shall be expropriated or seized by any Governmental Authority or any other Person in accordance with Applicable Law, or if notice of any such expropriation or seizure shall have been given in accordance with Applicable Law, this Agreement shall be terminated unless Holdco and Subco, in their sole discretion, elect to proceed with the transactions without abatement of the Purchase Price or the Redemption Price, but subject to the other provisions of this Agreement. For greater certainty, Holdco and Subco may elect to waive its right to terminate this Agreement pursuant to this Section 5.5 without prejudice to Holdco's and Subco's right to refuse to complete the transactions contemplated herein by reason of the non-fulfilment of any condition hereunder for their benefit or the breach or default by the

Corporation or the Principal Shareholder of any of their respective obligations hereunder. Upon termination of this Agreement under this Section 5.5, all Parties shall be released from all obligations hereunder except those set forth in Section 3.5, Subsection 4.3.1, Section 7.2, Section 7.5 and Section 7.6 and no Party having recourse against any other Party.

ARTICLE 6
INDEMNIFICATION

6.1 Indemnification by the Shareholders

Following Closing (and subject to Closing taking place) and Section 3.7, 6.14, 6.15 and 6.16, the Principal Shareholder and the Minority Shareholders (as represented by the Minority Shareholder Representative) shall, only by payment out of the Holdback Amount, indemnify, defend and save harmless Holdco and Amalco and each of their Representatives from and against any and all Loss suffered or incurred by them, as a direct or indirect result of, or arising in connection with or related in any manner whatever to:

(a) any misrepresentation or breach of warranty contained in the Business Representations and Warranties made or given by the Corporation contained in this Agreement or in any document delivered pursuant to this Agreement;

(b) any failure by the Corporation or the Principal Shareholder to observe or perform any covenant or obligation contained in this Agreement, in any Closing Document or in any document delivered pursuant to this Agreement or any Closing Document.

(c) Subject to Section 4.3.3, any Taxes (which for certainty shall include any unpaid Taxes assessed as a result of the matters disclosed on Schedule 3.1.38) required to be paid by the Corporation, Amalco or the Subsidiaries relating to any period ending on or before the Effective Time, including any Taxes in excess of the Taxes accrued as a liability on the Audited Financial Statements or the Closing Balance Sheet, as applicable, so long as the liability for such Taxes is not the result of any amendment to or refiling of previously filed Tax Returns by Amalco or the Subsidiaries after the Closing Date unless such amendment or refiling is due to an error in a previously filed Tax Return; and

(d) any incremental costs, including reasonable third party out-of-pocket legal, valuation and court costs incurred by Amalco to dispose of claims of any Shareholder exercising Dissent Right in excess of the Purchase Price or the Redemption Price such Shareholder would have received for its Shares if it had tendered its Shares and participated in the Arrangement,

provided that, should a Court of competent jurisdiction determine that the Amalgamation has rendered the foregoing indemnification invalid or otherwise unenforceable, due to a change in the corporate status of the party having given the representations, warranties and/or covenants in respect of which such claim for such indemnification is made, for the purposes of this Section 6.1, such representations, warranties and/or covenants shall be deemed to have been given by the

Principal Shareholder as well, and the Principal Shareholder shall, and does hereby, waive all defenses in respect thereof.

6.2 **Indemnification by Holdco and Subco**

Holdco and Subco (and by virtue of the Amalgamation, Amalco and its successors) shall, jointly and severally, indemnify, defend and save harmless the Principal Shareholder and the Minority Shareholders and each of the Principal Shareholder's and the Minority Shareholders' Representatives from and against any and all Loss suffered or incurred by them, as a direct or indirect result of, or arising in connection with or related in any manner whatsoever to:

(a) subject to Section 3.8, any misrepresentation or breach of any warranty made or given by Holdco or Subco in this Agreement, in any Closing Document or in any document delivered pursuant to this Agreement or any Closing Document; or

(b) any failure by Holdco or Subco to observe or perform any covenant or obligation contained in this Agreement, in any Closing Document or in any document delivered pursuant to this Agreement or any Closing Document.

6.3 **Agency for Representatives, etc.**

Each Party agrees that it accepts each indemnity in favour of any of its Representatives as agent and trustee of that Representative. Each Party agrees that each other Party may enforce an indemnity in favour of any of that Party's Representatives on behalf of that Representative. Each Party agrees that the Principal Shareholder (in addition to its own behalf) and the Minority Shareholders Representative accepts the indemnity of Holdco and Subco in Section 6.2 as agent and trustee for the Minority Shareholders and the Principal Shareholder (in addition to its own behalf) or the Minority Shareholders Representative may enforce such indemnity on behalf of the Minority Shareholders.

6.4 **Notice of Third Party Claims**

If an Indemnitee receives notice of the commencement or assertion of any Third Party Claim, the Indemnitee shall give the Indemnitor reasonably prompt notice thereof, but in any event no later than 30 days after receipt of such notice of such Third Party Claim. Such notice to the Indemnitor shall describe the Third Party Claim in reasonable detail and shall indicate, if reasonably practicable, the estimated amount of the Loss that has been or may be sustained by the Indemnitee.

6.5 **Defence of Third Party Claims**

The Indemnitor may participate in or assume the defence of any Third Party Claim by giving notice to that effect to the Indemnitee not later than 30 days after receiving notice of that Third Party Claim (the "**Notice Period**"). The Indemnitor's right to do so shall be subject to the rights of any insurer or other party who has potential liability in respect of that Third Party Claim. The Indemnitor shall pay all of its own expenses of participating in or assuming such defence. The Indemnitee shall co-operate in good faith in the defence of each

Third Party Claim, even if the defence has been assumed by the Indemnitor and, in such case, may participate in such defence assisted by counsel of its own choice at its own expense. If the Indemnitee has not received notice within the Notice Period that the Indemnitor has elected to assume the defence of such Third Party Claim, the Indemnitee may, at its option, elect to settle or compromise the Third Party Claim or assume such defence, assisted by counsel of its own choosing and the Indemnitor shall be liable for all reasonable costs and expenses paid or incurred in connection therewith and any Loss suffered or incurred by the Indemnitee with respect to such Third Party Claim. If the Indemnitor elects to assume the defence of a Third Party Claim under this Section 6.5, the Indemnitor shall not have the right thereafter to contest its liability for such claim. The rights provided for herein are in addition to any rights of the Principal Shareholder and the Minority Shareholder Representative under Section 2.8.

6.6 **Assistance for Third Party Claims**

The Indemnitor and the Indemnitee will use all reasonable efforts to make available to the Party which is undertaking and controlling the defence of any Third Party Claim (the "**Defending Party**"),

(a) those Employees and other Persons whose assistance, testimony or presence is necessary to assist the Defending Party in evaluating and in defending any Third Party Claim; and

(b) all documents, records and other materials in the possession of such Party reasonably required by the Defending Party for its use in defending any Third Party Claim,

and shall otherwise cooperate with the Defending Party. The Indemnitor shall be responsible for all reasonable expenses associated with making such documents, records and materials available and for all reasonable expenses of any Employees or other Persons made available by the Indemnitee to the Indemnitor hereunder, which expense shall not exceed the actual cost to the Indemnitee associated with such Employees and other Persons.

6.7 **Settlement of Third Party Claims**

If an Indemnitor elects to assume the defence of any Third Party Claim as provided in Section 6.5, the Indemnitor shall not be liable for any legal expenses incurred by the Indemnitee in connection with the defence of such Third Party Claim following the receipt by the Indemnitee of notice of such assumption. However, if the Indemnitor fails to take reasonable steps necessary to defend diligently such Third Party Claim within 30 days after receiving notice from the Indemnitee that the Indemnitee believes on reasonable grounds that the Indemnitor has failed to take such steps, the Indemnitee may, at its option, elect to assume the defence of and to negotiate, settle or compromise the Third Party Claim assisted by counsel of its own choosing and the Indemnitor shall also be liable for all reasonable costs and expenses paid or incurred in connection therewith. The Indemnitor shall not, without the prior written consent of the Indemnitee, enter into any compromise or settlement of a Third Party Claim, which would lead to liability or create any other obligation, financial or otherwise, on the Indemnitee.

6.8 **Direct Claims**

Any Direct Claim shall be asserted by giving the Indemnitor reasonably prompt written notice thereof, but in any event not later than 60 days after the Indemnitee becomes aware of such Direct Claim. The Indemnitor shall then have a period of 30 days within which to respond in writing to such Direct Claim. If the Indemnitor does not so respond within such 30 day period, the Indemnitor shall be deemed to have rejected such Claim, and in such event the Indemnitee shall be free to pursue such remedies as may be available to the Indemnitee subject to this Article 6.

6.9 **Recoveries from Other Parties, etc.**

(a) In connection with any Third Party Claim or Direct Claim, the Indemnitee shall take and/or fully co-operate with the Indemnitor in taking, reasonable steps to pursue any reasonably attainable remedies (based on the advice of Amalco's counsel acting reasonably) that the Indemnitee may have against any other Person (including, without limitation, insurers, customers of the Business or professional advisors) or otherwise in respect of such Third Party Claim or Direct Claim, provided that the Indemnitor shall reimburse the Indemnitee for the Indemnitee's reasonable out-of-pocket expenses in connection therewith. The foregoing shall not in any way restrict or limit the general obligation at law of the Indemnitee to mitigate any loss or damage which it may suffer in consequence of any breach by another Party hereto of the terms of this Agreement or any fact, matter, event or circumstance giving rise to a Claim.

(b) Neither the Principal Shareholder nor the Minority Shareholders shall have any liability under this Article 6 for any Loss in respect of any accrual made in the computation of the Closing Working Capital.

6.10 **Failure to Give Timely Notice**

A failure to give timely notice as provided in Section 6.4 shall not affect the rights or obligations of any Party except and only to the extent that, as a result of such failure, any Party which was entitled to receive such notice was deprived of its right to recover any payment under its applicable insurance coverage or was otherwise materially damaged or prejudiced as a result of such failure.

6.11 **Reductions and Subrogation**

If the amount of any Loss at any time subsequent to the making of an Indemnity Payment in respect of that Loss is reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, the amount of such reduction (less any costs, expenses (including Taxes) or premiums incurred in connection therewith), shall promptly be repaid by the Indemnitee to the Indemnitor. Upon making a full Indemnity Payment, the Indemnitor shall, to the extent of such Indemnity Payment, be subrogated to all rights of the Indemnitee against any third party that is not an Affiliate of the Indemnitee in respect of the Loss to which the Indemnity Payment relates. Until the Indemnitee recovers full payment of its Loss, any and all claims of the Indemnitor against any such third party on account of such Indemnity Payment shall be postponed and subordinated in right of payment to the Indemnitee's rights against such third

party. Without limiting the generality or effect of any other provision hereof, the Indemnitee and Indemnitor shall duly execute upon request all instruments reasonably necessary to evidence and perfect such postponement and subordination.

6.12 **Tax Effect**

If any Indemnity Payment received by an Indemnitee would constitute taxable income to such Indemnitee, the Indemnitor shall pay to the Indemnitee at the same time and on the same terms, as to interest and otherwise, as the Indemnity Payment an additional amount sufficient to place the Indemnitee in the same after-Tax position as it would have been if the Indemnity Payment had been received tax-free, unless the Indemnity Payment is with respect to a payment or other benefit that would have been taxable in the hands of the Indemnitee, it being the intention that the Indemnitee will not be unjustly enriched.

6.13 **Additional Rules and Procedures**

(a) If any Third Party Claim is of a nature such that the Indemnitee is required by Applicable Law to make a payment to any person (a "**Third Party**") with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitee may make such payment and the Indemnitor shall, forthwith after demand by the Indemnitee, reimburse the Indemnitee for any such payment pursuant to the Escrow Agreement, provided that, where the Indemnitor is Amalco, the Indemnitee shall be reimbursed by Amalco, directly (and not through the Escrow Agreement as if it were a beneficiary thereunder). If the amount of any liability under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnitor to the Indemnitee , the Indemnitee shall, forthwith after receipt of the difference from the Third Party, pay such difference to the Indemnitor;

(b) The Indemnitee and the Indemnitor shall co-operate fully with each other with respect to Third Party Claims, shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available) and shall each designate a senior officer who will keep himself informed about and be prepared to discuss the Third Party Claim with his counterpart and with counsel at all reasonable times.

6.14 **Limitation Periods**

(a) *Limitation Periods for Representations and Warranties.* Notwithstanding the provisions of the *Limitations Act*, 2002 (Ontario) or any other statute, a Party may commence a proceeding from any incorrectness in or breach of any representation and warranty of an Indemnitor as referred to in a notice of Claim delivered within the time periods stipulated in Section 3.7 or 3.8 at any time on or before the later of:

(i) the second anniversary of the last date upon which such notice of Claim is permitted to be delivered under Section 3.7 or 3.8; and

(ii) the expiry of the limitation period otherwise applicable to such claim,

any applicable limitation period is hereby so extended to the full extent permitted by law.

(b) *Limitation Periods for Covenants and Other Matters.* The limitation period applicable to any proceeding relating to a claim in respect of any matter in Section 6.1 and Section 6.2 shall be solely as prescribed in Sections 15-17 of the *Limitations Act, 2002* and any other limitation period in respect of such claim (including that provided for in Section 4.1 of the *Limitations Act, 2002*) is extended accordingly.

6.15 **Limitations**

(a) No claim may be asserted by Holdco, Subco or Amalco or their respective Representatives under Section 6.1 unless any one Claim is equal to or greater than $10,000 (a "**Qualified Claim**") and the aggregate of Qualified Claims is equal to or greater than $100,000 in aggregate, in which case, the full amount of all Qualified Claims may be asserted by Holdco, Subco or Amalco.

(b) Notwithstanding any other term or condition of this Agreement, the only recourse that Holdco, Subco or Amalco or their Representatives shall have for any Claim for indemnification pursuant to Section 6.1 shall be the Holdback Amount and such Claims shall be dealt with as provided in the Escrow Agreement.

6.16 **Indemnification Sole Remedy**

After Closing, the indemnification provided by the Principal Shareholder and the Minority Shareholder Representative in Section 6.1 and pursuant to the Escrow Agreement is the sole and exclusive remedy that Holdco, Subco, Amalco and their respective successors and their respective Representatives shall have under this Agreement or at law or equity for any claim against the Corporation, the Principal Shareholder or the Minority Shareholders arising under this Agreement whether by way of misrepresentation, breach of warranty, breach of covenant or otherwise, other than in respect of representations and warranties of the Principal Shareholder pursuant to Section 3.2 and the representations of each Minority Shareholder pursuant to their respective Letter of Transmittal.

ARTICLE 7
MISCELLANEOUS

7.1 **Further Assurances**

Each Party shall from time to time execute and deliver or cause to be executed and delivered all such further documents and instruments and do or cause to be done all further acts and things as the other Party may, before or after the Closing Time, reasonably require as being necessary or desirable in order to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement or any provision hereof.

7.2 **Public Announcements**

Except to the extent required by Applicable Law, each Party agrees that no disclosure or public announcement regarding this Agreement or the transactions contemplated hereby shall be made by any Party without the prior written consent of the other Parties, which consent shall not be unreasonably withheld.

7.3 **Notices**

(a) Any notice, direction or other communication (in this Section, a "notice") required or permitted to be given to a Party shall be in writing and shall be sufficiently given if delivered personally, mailed or transmitted by facsimile as follows:

(i) in the case of the Corporation prior to Closing, at:

Skyservice Airlines Inc.
9785 Ryan Avenue
Dorval, Quebec

Attention: Catherine Duff-Caron

Fax No.: (514) 636-7471

with a copy to:

Fraser Milner Casgrain LLP
1 First Canadian Place
100 King Street West
Toronto, Ontario M5X 1B2

Attention: Chris Turney

Fax No.: 416-863-4592

(ii) in the case of the Principal Shareholder prior to and following Closing, at:

Skyservice Investments Inc.
9785 Ryan Avenue
Dorval, Quebec

Attention: Catherine Duff-Caron

Fax No.: (514) 636-7471

with a copy to:

Fraser Milner Casgrain LLP
1 First Canadian Place
100 King Street West

Toronto, Ontario M5X 1B2

Attention: Chris Turney

Fax No.: 416-863-4592

(iii) in the case of Holdco, Subco and, following Closing, Amalco, at:

Suite 2600
1075 West Georgia Street
Vancouver, BC V6E 3C9

Attn: Johnny Ciampi
Fax No.: 604.661.4873

with a copy to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attn: Lawrence Wilder
Fax No.: 416.350.6904

(b) Any notice delivered personally, shall be deemed to have been given and received on the day on which it was delivered, if delivered prior to 5:00 p.m. (recipient's time) on a Business Day; otherwise on the first Business Day thereafter. Any notice mailed shall be deemed to have been given and received on the third Business Day after it was mailed, provided that if the Party giving the notice knows or ought reasonably to know of disruptions in the postal system that might affect the delivery of mail, such notice shall not be mailed but shall be given by personal delivery or facsimile transmission. Any notice transmitted by facsimile shall be deemed to have been given and received on the day of its transmission if the machine from which it was sent receives the answerback code of the Party to whom it was sent prior to 5:00 p.m. (recipient's time) on such day; otherwise on the first Business Day thereafter.

(c) Any Party may change its address for service from time to time by notice given to each of the other Parties in accordance with the foregoing provisions.

7.4 **Time of the Essence**

Time shall be of the essence of this Agreement.

7.5 **Costs and Expenses**

Except as otherwise provided for herein or in the Escrow Agreement, each of the Parties shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants, brokers and other advisors) incurred by each of them in connection with this Agreement and the transactions contemplated herein and, for avoidance of doubt, except as otherwise provided, all of the foregoing costs and expenses incurred by, or on behalf of, the Corporation including costs and expenses relating to the Meeting, the Fairness Opinion, the Interim Order and the Final Order (including, without limitation, unless agreed otherwise in writing by the Parties, legal fees and other costs incurred in response to actions of Shareholders or other parties opposing or attempting to impede the Meeting, the Interim Order or the Final Order) shall be the responsibility of and paid for by the Corporation and shall be accrued or recorded in the determination of the Estimated Closing Working Capital and the Closing Working Capital.

7.6 Termination of Agreement and Related Matters

Notwithstanding any other provision of this Agreement, provided that all other conditions of closing set forth in Section 5.2 have been satisfied or are within the exclusive control of the Corporation to satisfy, in the event that the condition of closing set forth in Section 5.1.15 is not satisfied at least 10 Business Days prior to the Closing Date, or such condition of closing does not continue to be satisfied at the Closing because one or both of such acknowledgment certificates has been revoked in writing by First Choice Canada Inc. and/or MyTravel Canada Holdings Inc., Holdco and Subco shall have the right to issue to the Principal Shareholder a notice of termination (the "Termination Notice") terminating this Agreement and all of its obligations hereunder. Upon receipt of the Termination Notice by the Corporation, this Agreement will be terminated and, save and except as set forth in this Section 7.6, Section 3.5, Subsection 4.3.1, Section 7.2 and Section 7.5, none of the Parties shall have any further obligations to any other Parties. Holdco and Subco shall, together with the Termination Notice, deliver to the Corporation detailed invoices, receipts and reports in respect of the Holdco Third Party Expenses (the "Expense Reports") and upon the later of (i) 30 days of receipt of the Termination Notice and (ii) 30 Business Days after the date upon which the Corporation receives the Expense Reports, the Corporation shall reimburse Holdco for the Holdco Third Party Expenses, up to a maximum of $500,000, and shall pay any GST exigible on such reimbursement payment, which amounts shall be payable to Holdco and Subco by bank draft, certified cheque, wire transfer of immediately available funds or as Holdco and Subco may otherwise direct. If Holdco and Subco waive the right to terminate this Agreement pursuant to this Section 7.6, neither shall have any right to recover Holdco Third Party Expenses.

7.7 Effect of Closing

All provisions of this Agreement shall remain in full force and effect notwithstanding the Closing, subject only to the limitation periods specified in Sections 3.7 and 3.8 and the related indemnities in Article 6.

7.8 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and each of which together shall constitute one and the same instrument. To

evidence its execution of an original counterpart of this Agreement, a Party may send a copy of its original signature on the execution page hereof to the other Parties by facsimile transmission and such transmission shall constitute delivery of an executed copy of this Agreement to the receiving Party.

7.9 **Assignment**

This Agreement may not be assigned (other than by reason of the Amalgamation pursuant to the Plan of Arrangement) by any Party without the prior written consent of all the other Parties, provided that Holdco may assign this Agreement to an Affiliate of Holdco, provided that such Affiliate enters into a written agreement with the Principal Shareholder and the Corporation to be bound by the obligations, covenants and agreements contained in this Agreement in all respects and to the same extent as Holdco and provided that Holdco shall continue to be bound by all such obligations, covenants and agreements to the extent that such Affiliate fails to perform the same.

7.10 **Parties in Interest**

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors, including any successor by reason of the amalgamation or merger of a Party, and permitted assigns..

7.11 **Third Parties**

Except as specifically set forth or referred to herein, nothing herein is intended or shall be construed to confer upon or give to any Person, other than the Parties and their respective successors, including any successor by reason of the amalgamation or merger of a Party, and permitted assigns, any rights or remedies under or by reason of this Agreement.

[the remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

SKYSERVICE INVESTMENTS INC.

By:_____

_____

6756140 CANADA INC.

By:_____

_____

6806929 CANADA INC.

By:_____

_____

SKYSERVICE AIRLINES INC.

By:_____

_____

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

SKYSERVICE INVESTMENTS INC.

By: _____

_____

6756140 CANADA INC.

By: _____

_____

6806929 CANADA INC.

By: _____

_____

SKYSERVICE AIRLINES INC.

By: _____

_____

EXHIBIT A

SKYSERVICE AIRLINES INC.
LIGNES AÉRIENNES SKYSERVICE INC.

PLAN OF ARRANGEMENT
UNDER SECTION 192
OF THE CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Act**" means the Canada Business Corporations Act, R.S.C. 1995, c. C-44.

"**Aggregate Number of Shares**" means the aggregate number of issued and outstanding Shares, being 40,010,298 Shares.

"**Amalco**" means the amalgamated corporation resulting from the Amalgamation.

"**Amalco Common Shares**" means common shares in the capital of Amalco.

"**Amalgamation**" has the meaning ascribed there to in Section 2.2(b).

"**Arrangement**" means the arrangement under the provisions of Section 192 of the Act and subject to the terms and conditions set out in this Plan of Arrangement, subject to any amendments thereto made in accordance with the Arrangement Agreement, this Plan of Arrangement or made at the direction of the Court in the Final Order.

"**Arrangement Agreement**" means the Arrangement Agreement made as of August 10, 2007 between the Principal Shareholder, Holdco, Subco and the Corporation, providing for, among other things, the Arrangement.

"**Arrangement Resolution**" means the resolution of the Shareholders approving the Arrangement attached as Schedule A to the Circular.

"**Certificate of Arrangement**" means the certificate of arrangement issued by the Director in accordance with Section 192 of the Act to give effect to the Arrangement.

"**Circular**" means the Notice of the Meeting and accompanying Management Proxy Circular of the Corporation sent to the Shareholders in connection with the Meeting.

"**Class A Shares**" means the Class A voting common shares in the capital of the Corporation.

"**Class B Shares**" means the Class B non-voting common shares in the capital of the Corporation.

"**Corporation**" means Skyservice Airlines Inc., a corporation subsisting under the Act.

"**Court**" means the Ontario Superior Court of Justice.

"**Depository**" means Equity Transfer & Trust Company, or such other depository mutually acceptable to the Corporation, Holdco and Subco, each acting reasonably, appointed to receive the Letters of Transmittal and disburse the Purchase Price and the Redemption Price to Shareholders, as applicable.

"**Director**" means the Director appointed under Section 260 of the Act.

"**Dissent Procedures**" has the meaning set out in Section 3.1.

"**Effective Date**" means the date shown on the Certificate of Arrangement.

"**Effective Time**" means the commencement of the day (Eastern time) on the Effective Date.

"**Escrow Agent**" means Fraser Milner Casgrain LLP, or such other escrow agent appointed under the Escrow Agreement or the Administration Holdback Escrow Agreement (referred to below), as applicable.

"**Escrow Agreements**" means, collectively, the Escrow Agreement and the Administration Holdback Escrow Agreement to be entered into as provided for in the Arrangement Agreement with respect to, among other things, the holding and disbursement of the Holdback Amounts.

"**Holdback Amounts**" means, collectively, the Holdback Amount, the Working Capital Holdback Amount, the LTU Holdback Amount, the Additional Holdback Amount and the Administration Holdback Amount as defined and described in the Arrangement Agreement.

"**Holdco**" means 6756140 Canada Inc., a corporation subsisting under the Act.

"**Letter Of Transmittal**" means the Letter of Transmittal to be sent to Shareholders in connection with the Arrangement in the form accompanying the Circular.

"**Meeting**" means the special meeting of the Shareholders (including any adjournment thereof) convened as provided by the Interim Order to consider, and if deemed advisable, approve the Arrangement Resolution.

"**Person**" includes any individual, partnership, corporation, trust, unincorporated association, joint venture, government body, or other entity.

"**Preferred Shares**" means the preferred shares in the capital of Amalco and which will be redeemed by Amalco in accordance with this Plan of Arrangement and the Preferred Share Conditions for the Redemption Price per share.

"**Preferred Share Conditions**" means the rights, privileges, restrictions and conditions attaching to the Preferred Shares, the text of which is attached hereto as Exhibit 1.

"**Purchase Price**" or "**Redemption Price**" as applicable, means, the purchase price payable for each of the Shares to be purchased by Holdco hereunder or the redemption price for each of the Preferred Shares to be redeemed by Amalco hereunder, which shall be equal to $82,000,000, subject to adjustment as set out in the Arrangement Agreement, divided by the Aggregate Number of Shares, and which shall be paid in the manner provided for herein and in the Arrangement Agreement.

"**Purchase Share**" means each Share held by a Shareholder that has elected, in a duly completed Letter of Transmittal received by the Depository no later than the time for such receipt specified therein, to sell each of his, her or its Shares to Holdco.

"**Redemption Share**" means each Share held by a Shareholder (other than a Shareholder who exercises its right of dissent and is ultimately entitled to be paid the fair value of the Shares held by such Shareholder as provided in the Dissent Procedures) that has not elected, in a duly completed Letter of Transmittal received by the Depository no later than the time for such receipt specified therein, to sell each of his, her or its Shares to Holdco.

"**Shareholders**" means, collectively, the holders of Class A Shares and the holders of Class B Shares.

"**Shares**" means, collectively, the Class A Shares and the Class B Shares.

"**Subco**" means 6806929 Canada Inc., a corporation subsisting under the Act.

"**Subco Shares**" means the common shares in the capital of Subco.

1.2 Sections and Headings

The division of this Plan of Arrangement into sections and the insertion of headings are for reference purposes only and shall not affect the interpretation of this Plan of Arrangement. Unless otherwise indicated, any reference in this Plan of Arrangement to a section or an exhibit refers to the specified section of or exhibit to this Plan of Arrangement.

1.3 Number, Gender and Persons

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular number include the plural and vice versa, words importing any gender include all genders and words importing persons include all Persons.

1.4 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

1.5 Arrangement Agreement

This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement. In the event of an inconsistency between the provisions herein and the Arrangement Agreement, the provisions of the Arrangement Agreement shall govern.

ARTICLE 2

ARRANGEMENT

2.1 Binding Effect

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on (i) the Corporation, (ii) Holdco, (iii) Subco, and (iv) all the Shareholders.

2.2 Arrangement

Commencing at the Effective Time, the following shall occur and shall be deemed to occur in the following order without any further authorization, act or formality:

(a) each Purchase Share held by a Shareholder will be acquired by Holdco for the Purchase Price and the Corporation shall remove the name of each such Shareholder from its register of holders of Class A Shares and Class B Shares, as applicable, and Holdco shall be added to such registers as the holder of the Purchase Shares;

(b) each Purchase Share acquired by Holdco will be transferred to Subco in exchange for one Subco Share and the Corporation shall remove the name of Holdco from its register of holders of Class A Shares and Class B Shares, as applicable, and Subco shall be added to such registers as the holder of the Purchase Shares;

(c) the Corporation and Subco will amalgamate under the Act to form Amalco (the "**Amalgamation**");

(d) on the Amalgamation: **[NTD: Holdco's and the Corporation's tax advisors to review and confirm Step 2.2(d), treatment of stated capital and related matters]**

(i) each Redemption Share will be converted into one (1) Preferred Share with a stated capital equal to the Redemption Price;

(ii) all of the Purchase Shares will be cancelled;

(iii) each Subco Share will be converted into one (1) Amalco Common Share. The aggregate stated capital of the Amalco Common Shares into which the Subco Shares are converted hereunder shall be equal to the aggregate stated capital of the Subco Shares (including the Subco Shares issued to Holdco in Section 2.2(b) hereof) plus the aggregate stated capital of the Shares immediately prior to the Amalgamation (other than the portion thereof attributable to the Shares held by Shareholders who exercise and maintain their right of dissent and are ultimately entitled to be paid the fair value of their Shares as provided in the Dissent Procedures), less the aggregate stated capital of the Purchase Shares cancelled on the Amalgamation and the aggregate stated capital of the Preferred Shares provided for in sub-clause (i) above; and

(iv) the following provisions shall apply to Amalco:

A. the name of Amalco shall be:

SKYSERVICE AIRLINES INC.

LIGNES AÉRIENNES SKYSERVICE INC.;

B. the registered office of Amalco shall be located in Province of Ontario and the address of the registered office of Amalco shall be 31 Fasken Drive, Etobicoke, Ontario M9W 1W6;

C. there shall be no restrictions on the business Amalco may carry on or the powers it may exercise;

D. Amalco shall be authorized to issue an unlimited number of Amalco Common Shares and an unlimited number of Preferred Shares; the rights, privileges, restrictions and conditions attached to the Amalco Common Shares and the Preferred Shares are those set out on the attached Exhibit 1;

E. the issue, transfer or ownership of the shares of Amalco will be subject to the following restrictions: (i) the transfer of shares shall be restricted in that no share shall be transferred without either (x) the consent of the directors of Amalco expressed by a resolution passed by the board of directors or by an instrument or instruments in writing signed by all of such directors, or (y) the consent of the holders of shares to which are attached more than 50% of the voting rights attaching to all shares for the time being outstanding entitled to vote at such time expressed by a resolution passed by such shareholders at a meeting duly called and constituted for that purpose or by an instrument or instruments in writing signed by all of such shareholders;

F. the right to vote the Amalco Common Shares shall be limited such that where, at any meeting of shareholders of Amalco, more than 25% (or such greater number as is otherwise permitted under the *Canada Transportation Act*, S.C. 1996, C.10, as amended, or any successor legislation thereto that is intended to, inter alia, regulate the ownership of airlines (the "**CTA**"), or any regulations thereunder) of such shares represented at such meeting are held, beneficially owned or controlled, directly or indirectly, by non-Canadians (as defined in the CTA), the voting rights attached to such shares shall be restricted on a pro rata basis such that the total number of votes which may be cast by or on behalf of non-Canadians (as defined in the CTA) at such meeting shall not be greater than 25% (or such greater number as is otherwise permitted under the CTA or any regulations thereunder) of the total number of votes which may be cast at such meeting; and

G. the number of directors of Amalco shall be a minimum of one and a maximum of ten; the initial directors of Amalco shall be:

Name	Residence Address	Canadian Resident
Samuel Belzberg	<>	Yes
David Huberman	<>	Yes

H. the by-laws of Amalco shall be the by-laws of the Corporation; and

(e) each Preferred Share will be redeemed by Amalco for the Redemption Price in accordance with the Preferred Share Conditions and the name of each holder of the Preferred Shares will be removed from the register of holders of Preferred Shares.

ARTICLE 3

RIGHTS OF DISSENT

3.1 Rights of Dissent

Holders of Shares may exercise rights of dissent with respect to such Shares pursuant to and in the manner set forth in Section 190 of the Act and this Section 3.1 (the "**Dissent Procedures**") in connection with the Arrangement and holders of Shares who duly exercise such rights of dissent and who:

(a) are ultimately entitled to be paid fair value for their Shares, shall be deemed to have transferred such Shares to the Corporation for cancellation on the Effective Date prior to any of the steps described in Section 2.2; or

(b) are ultimately not entitled, for any reason, to be paid fair value for their Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Shares that did not elect to sell his, her or its Shares to Subco for the Purchase Price pursuant to the Arrangement Agreement and shall receive Redemption Price on the basis set forth in Section 2.2(d) herein,

but in no case shall the Corporation or any other Person be required to recognize such holders as holders of Shares after the Effective Time, and the names of such holders of Shares shall be deleted from the registers of holders of Shares as at the Effective Time.

ARTICLE 4

PAYMENT OF PURCHASE PRICE AND REDEMPTION PRICE

4.1 Delivery and Payment of Purchase Price and Redemption Price

(a) At or before the Effective Time, there shall be deposited with the Depository, for the benefit of the holders of Shares who will receive the Purchase Price or the Redemption Price in connection with the Arrangement, sufficient cash to pay the aggregate Purchase Price for all Purchase Shares (less the portion of the Holdback Amounts applicable to those Shares as provided in the Arrangement Agreement) pursuant to Section 2.2(a) upon the purchase of the Shares by Holdco and the aggregate Redemption Price for all Redemption Shares (less the portion of the Holdback Amounts applicable to those Shares as provided in the Arrangement

Agreement) pursuant to Section 2.2(d) upon the redemption of Preferred Shares by Amalco.

(b) Upon surrender to the Depository for cancellation of a share certificate which immediately prior to the Effective Time represented Shares, together with a completed and executed Letter of Transmittal and such other documents and instruments as would have been required to effect the purchase of the Shares formerly represented by such share certificate under the Act and the by-laws of the Corporation and such additional documents and instruments as the Depository may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depository shall deliver, promptly after the Effective Time, to such holder, the Purchase Price or the Redemption Price, as applicable, to which such holder is entitled under the Arrangement (less the portion of the Holdback Amounts applicable to the Purchase Shares or the Redemption Shares, as applicable, held by such holder as provided in the Arrangement Agreement), and the share certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Corporation, the relevant amount of cash payment may be paid to the transferee if the certificate representing such Shares is presented to the Depository, accompanied by all documents required to evidence and effect such transfer. Until surrendered as contemplated by this Section 4.1, each share certificate which immediately prior to the Effective Time represented Shares shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Purchase Price or the Redemption Price, as applicable, as contemplated by this Section 4.1. The cash deposited with the Depository shall be held in an interest bearing account, and any interest earned on such funds shall be for the account of Amalco, or as Amalco may direct.

(c) The Holdback Amounts shall be deposited with the Escrow Agent as provided in the Arrangement Agreement and/or as directed or authorized by Letters of Transmittal received by the Depository and held and distributed by the Escrow Agent in accordance with the Escrow Agreement and the Administration Holdback Escrow Agreement, as applicable.

4.2 Lost Certificates

In the event any share certificate which immediately prior to the Effective Time represented one or more outstanding Shares that are purchased by Holdco or converted into Preferred Shares and redeemed by Amalco pursuant to Section 2.2 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Shareholder claiming such certificate to be lost, stolen or destroyed, the Depository will deliver in exchange for such lost, stolen or destroyed certificate, the Purchase Price or the Redemption Price, as applicable, (less such holders proportionate share of the Holdback Amounts), deliverable in accordance with such Shareholder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed share certificate, the Person to whom such payment is to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to the Corporation (or, after

the Effective Time, Amalco), acting reasonably, or otherwise indemnify the Corporation or, after the Effective Time, Amalco) in a manner satisfactory to the Corporation (or, after the Effective Time, Amalco), acting reasonably, against any claim that may be made against the Corporation (or, after the Effective Time, Amalco) with respect to the share certificate alleged to have been lost, stolen or destroyed.

4.3 Extinction of Rights

Any share certificate which immediately prior to the Effective Time represented outstanding Shares that are purchased by Holdco or converted for Preferred Shares and then redeemed by Amalco pursuant to Section 2.2 and not deposited, with all other instruments required, on or prior to the [**sixth (6th)**] anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature as a former registered holder of such share certificate. On such date, the payments to which the former registered holder of the share certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to Amalco together with all entitlements to dividends, distributions and interest thereon held for such former registered holder.

4.4 Withholding Rights

Each of Holdco, Amalco and the Depository shall be entitled to deduct and withhold from any consideration payable under this Plan of Arrangement to any holder of Shares such amounts as Holdco, Amalco or the Depository is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada), or any provision of provincial, state, local or foreign tax law, in each case as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 5

AMENDMENTS

5.1 Amendments to Plan of Arrangement

(a) The Corporation reserves the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by Holdco and Subco, (iii) filed with the Court and, if made following the Meeting, approved by the Court, and (iv) communicated to holders of Shares if and as required by the Court. Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if (i) it is consented to by Holdco and Subco, and (ii), if required by the Court, it is consented to by holders of the Shares voting in the manner directed by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by Amalco provided that it concerns a matter which, in the reasonable opinion of Amalco, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of Amalco and/or any former Shareholder.

ESCROW AGREEMENT

THIS AGREEMENT made as of the 19th day of October, 2007

B E T W E E N :

SKYSERVICE INVESTMENTS INC., a company incorporated under the federal laws of Canada

(the "**Principal Shareholder**")

- and -

6756140 CANADA INC., a corporation incorporated under the federal laws of Canada

("**Holdco**")

- and -

6806929 CANADA INC., a corporation incorporated under the federal laws of Canada

("**Subco**")

- and -

SKYSERVICE AIRLINES INC., a corporation incorporated under the federal laws of Canada

(the "**Corporation**")

- and –

RONALD PATMORE, an individual residing in South Monaghan, in the Province of Ontario

(unless and until replaced as contemplated by Section 22, the "**Minority Shareholder Representative**")

- and -

FRASER MILNER CASGRAIN LLP, a limited liability partnership in the Province of Alberta

(the "**Escrow Agent**")

WHEREAS, on August 14, 2007, an arrangement agreement (the "**Arrangement Agreement**") in respect of a plan of arrangement (the "**Plan of Arrangement**") was entered into by each of the parties hereto, other than the Escrow Agent and the Minority Shareholder Representative;

AND WHEREAS pursuant to the Plan of Arrangement, the Corporation and Subco will amalgamate forthwith following the execution and delivery of this Agreement (to form "**Amalco #1**");

AND WHEREAS following the closing of the transactions contemplated by the Arrangement Agreement, Amalco #1 and Holdco shall also amalgamate (such amalgamated entity to be referred to herein as "**Amalco**" in respect of the period following such event);

AND WHEREAS the Arrangement Agreement provides for the withholding of and payment to the Escrow Agent of a portion of the Purchase Price and the Redemption Price in the amount of the Holdback Amount (being $5,000,000.00) in respect of indemnification Claims made pursuant to Section 6.1 of the Arrangement Agreement;

AND WHEREAS the Arrangement Agreement provides for the withholding of and payment to the Escrow Agent of a portion of the Purchase Price and Redemption Price in the amount of the Working Capital Holdback Amount (being $4,000,000.00 less the *pro rata* portion thereof represented by the Shares held by Dissenting Shareholders, the "**Dissenting Shares**") in respect of the determination of Closing Working Capital;

AND WHEREAS the Arrangement Agreement provides for the withholding of and payment to the Escrow Agent of a portion of the Purchase Price and Redemption Price in the amount of the Additional Holdback Amount (being $4,000,000.00 less the *pro rata* portion thereof represented by the Dissenting Shares) in respect of certain contingencies with respect to aircraft lease costs and associated cash flows in connection with a Tour Operator's programs;

AND WHEREAS the Arrangement Agreement provides for the payment by the Corporation to the Escrow Agent of the LTU Holdback Amount (being $1,152,000.00, less the *pro rata* portion thereof represented by the Dissenting Shares) in respect of certain contingencies in connection with the LTU Sublease by the Corporation to LTU Luftransport-Uuteruehmen ("**LTU**");

AND WHEREAS there are no Dissenting Shares;

AND WHEREAS Principal Shareholder, Holdco, Subco, the Corporation and the Minority Shareholder Representative have agreed that, as a result of the number of Dissenting Shares, the Working Capital Holdback Amount is equal to $4,000,000.00, the Additional Holdback Amount is equal to $4,000,000.00 and the LTU Holdback Amount is equal to 1,152,000.00;

AND WHEREAS there exists an Amended and Restated Acknowledgment and Agreement Regarding Tour Operators (the "**Tour Operators Acknowledgement**") dated the 14th day of September between the Principal Shareholder, Holdco, Subco, the Corporation and the Minority Shareholder Representative (a copy of which is attached hereto as Schedule "D") which provides for the payment by the Corporation to the Escrow Agent of the At Risk Amount

(as defined in the Tour Operators Acknowledgement, and which has been agreed to by the parties to the Tour Operators Acknowledgment to be 2,010,002.66 in respect of certain contingencies in connection with the Processing Agreement (as defined in the Tour Operators Acknowledgement);

AND WHEREAS the Tour Operators Acknowledgment provides that the At Risk Amount shall be considered a contingent liability of the Corporation for the purposes of the calculation of the Closing Working Capital;

NOW THEREFORE in consideration of the execution and delivery of the Arrangement Agreement and the Tour Operators acknowledgement and of the respective covenants and agreements of the parties hereinafter contained, it is agreed by and between the parties hereto as follows:

1. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Arrangement Agreement unless the context otherwise requires.

2. The Principal Shareholder, Holdco and Subco, the Corporation and the Minority Shareholder Representative, hereby appoint the Escrow Agent as escrow agent to administer the escrow contemplated herein and to receive, to hold and to release or deliver the escrowed funds in accordance with the provisions set out herein, and the Escrow Agent accepts such appointment on the terms and subject to the conditions set forth herein.

3. The Escrow Agent hereby acknowledges receipt of the following funds:

   (a) the amount of $5,000,000.00 in respect of the Holdback Amount;

   (b) the amount of $4,000,000.00 in respect of the Working Capital Holdback Amount;

   (c) the amount of $4,000,000.00 in respect of the Additional Holdback Amount;

   (d) the amount of $1,152,000.00 in respect of the LTU Holdback Amount; and

   (e) the amount of 2,010,002.66 in respect of the At Risk Amount .

4. Following the Closing, the Escrow Agent shall forthwith invest in one or more separate interest bearing accounts or term deposits with a Canadian Chartered Bank, held in trust, any amount of money received by it pursuant to this Agreement from time to time.

5. The Holdback Amount, the Working Capital Holdback Amount, the Additional Holdback Amount, At Risk Amount and the LTU Holdback Amount shall be held by the Escrow Agent and dealt with by it solely in the manner set forth in this Agreement.

Holdback Amount

6. The Holdback Amount shall be dealt with as follows:

(a) the Escrow Agent shall pay to the Shareholders in proportion to the number of Shares held by each of them at Closing (as set out in Schedule "A" hereto):

(i) within ten (10) Business Days following the date that is twenty-one (21) months following the Closing Date, an amount equal to $3,000,000.00 plus interest accrued thereon hereunder (the "**First Holdback Amount Payment**") less any payment previously deducted and paid to Amalco or that the Escrow Agent is required to retain pursuant to paragraph (b) below; and

(ii) within ten (10) Business Days following the date which is the earlier of (A) the expiry of the last applicable limitation period under the applicable federal tax legislation in respect of any taxation year or period ending on or prior to the Closing Date, in respect of the Corporation, and (B) five (5) years from the Closing Date, the unpaid remainder of the Holdback Amount (following payment of the First Holdback Amount Payment), together with interest accrued thereon hereunder less any payment previously deducted and paid to Amalco or that the Escrow Agent is required to retain pursuant to paragraph (b) below (the "**Second Holdback Amount Payment**"); and

(b) notwithstanding paragraph (a) above, in the event that Amalco provides the Escrow Agent with an executed notice (a "**Claims Notice**"), which Claims Notice shall include a statutory declaration of such party or one of its officers verifying the content of such Claims Notice, advising that there is a pending indemnification Claim (pursuant to section 6.1 of the Arrangement Agreement) and shall set forth in reasonable detail the particulars and the estimated value of the Claim (such value to be as may be mutually agreed to by the Parties, without prejudice to the right of either of the Principal Shareholder or Minority Shareholder Representative to contest the value or validity of such Claim, or, failing such efforts, as determined by Amalco, acting in good faith) then the Escrow Agent shall retain from the First Holdback Amount Payment or the Second Holdback Amount Payment, whichever is next payable, an amount equal to the estimated value of the Claim, until a final determination (including, without limitation, any non-appealable judgment or order of a court of competent jurisdiction, any determination of an arbitrator or regulatory body having jurisdiction over any part of the business of the Corporation or any minutes of settlement) of such Claim has been rendered and a copy of such judgment, order, determination or minutes has been delivered to the Escrow Agent, and the Escrow Agent shall pay the retained amount together with interest accrued thereon hereunder in accordance with the terms of the final determination; provided that Amalco shall be obligated to promptly notify the Escrow Agent of such final determination. For greater certainty, any amount which has not been determined

shall remain in escrow and be held by the Escrow Agent until such time as it is determined.

Working Capital Holdback Amount and the At Risk Amount

7. The Working Capital Holdback Amount shall be dealt with as follows:

(a) subject to paragraphs (b) and (c) below, forthwith following the Adjustment Date (following the final determination of the Closing Working Capital determined in accordance with section 2.12 of the Arrangement Agreement) the Principal Shareholder, Minority Shareholder Representative and Amalco shall deliver a duly executed written joint direction to the Escrow Agent, which direction shall specify the amount of the Working Capital Holdback Amount together with interest accrued thereon hereunder that is to be paid to the Shareholders in proportion to the number of Shares held by each of them at Closing and the amount of the Working Capital Holdback Amount, if any, together with interest accrued thereon hereunder that is to be paid to Amalco, and the Escrow Agent shall pay out the amounts and to the person(s) set out in such direction;

(b) in the event of a dispute between the Principal Shareholder and the Minority Shareholder Representative, on one side, and Amalco, on the other side, regarding the determination of the Closing Working Capital, which dispute is submitted to the Independent Accountant, as described in section 2.12.2 of the Arrangement Agreement, the Principal Shareholder, the Minority Shareholder Representative and Amalco shall jointly direct the Escrow Agent in writing to pay out to the Shareholders in proportion to the number of Shares held by each of them at Closing, an amount equal to the Working Capital Holdback Amount less the amount of a Negative Working Capital Adjustment, to the extent quantifiable, as would result from a determination of the disputed matter in favour of Amalco, together with interest accrued thereon hereunder, and any such payment shall, accordingly, reduce payments to be made to the Shareholders by the Escrow Agent pursuant to paragraph (a) above. The Escrow Agent shall pay out the amounts and to the person(s) set out in such direction. For greater certainty, any amount not quantifiable shall remain in escrow and held by the Escrow Agent until such time as it is quantifiable and quantified; and

The At Risk Amount shall be dealt with as follows, and capitalized terms used in the following subsection (c) that are described in the Tour Operators Acknowledgement shall have the same meaning in such subsection (c) as in the Tour Operators Acknowledgement:

(c) upon Amalco determining, acting reasonably, that it is entitled, under Applicable Law, to indefeasibly receive and retain any portion of the Fund (including as a result of the recovery of such amounts following the completion of the insolvency process of the TO) or payments in the Fund becoming Cleared Payments, Amalco shall deliver a written direction to the Escrow Agent (but not more frequently than one time per calendar month), which direction shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative and shall include a statutory declaration of Amalco or one of its officers verifying the

content of such direction, and shall indicate the portion of the At Risk Amount payable to the Shareholders, each as contemplated by paragraph 2(d) of the Tour Operators Acknowledgment, and the Escrow Agent shall forthwith pay such portion of the At Risk Amount (less any transaction or ancillary costs, and less with respect to all but the final release, the amount of Set-Offs effected, in each case as advised by Amalco in the related direction) to the Shareholders. Each such payment will be made together with interest accrued thereon hereunder in proportion to the number of Shares held by each Shareholder at Closing. Promptly following the date (the **Final Flight Date**") of the final airline flight paid for by means of an Authorized Transaction, Amalco shall deliver a written direction to the Escrow Agent, which direction shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative and shall include a statutory declaration of Amalco or one of its officers verifying the content of such direction, confirming the Final Flight Date and indicating the amount of the Authorized Transactions received by Amalco pursuant to the Processing Agreement and which Amalco is subsequently required by law or contract to reimburse to the consumer, Amalco's credit card processor, the receiver or trustee in bankruptcy of the TO or any person claiming through any of the foregoing, including TICO, and which cannot be fully covered, at the time it is claimed, by amounts in the Fund (the transactions in the Fund to the date of the written direction and the evidence of reimbursements to consumers, Amalco's credit card processor, the receiver or trustee in bankruptcy being included as part of the written direction) and the Escrow Agent shall pay such amount to Amalco. At the same time, Amalco shall deliver a written direction to the Escrow Agent, contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative, directing the Escrow Agent to pay, and the Escrow Agent shall pay to the Shareholders in proportion to the number of Shares held by each Shareholder at Closing, the balance of the At Risk Amount (after having taken into account any payments to be made to Amalco as provided above), if any, then remaining, together with interest accrued thereon hereunder.

Additional Holdback Amount

8. The Additional Holdback Amount shall be dealt with as follows:

(a) The first fifty (50%) percent of the Additional Holdback Amount shall be dealt with as follows:

(i) upon receipt of written notice from Amalco to the Escrow Agent, which notice shall be contemporaneously copied to the Principal Shareholder and Minority Shareholder Representative and shall include a statutory declaration of Amalco or one of its officers verifying the content of such notice, on or before the fifth (5th) Business Day of May 2008, that (1) the Tour Operator contemplated by the Parties has ceased to carry on business for any reason, (2) the Tour Operator has ceased to pay amounts owing to Amalco pursuant to its Tour Operator Agreement with Amalco or (3) the Tour Operator's Tour Operator Agreement has been terminated and the business relationship between Amalco and the Tour Operator has come to an end, in each case prior to the end of the winter season commencing on

or about November 1, 2007 and terminating April 30, 2008, all as contemplated by section 2.11(e)(i) of the Arrangement Agreement, the Escrow Agent shall pay an amount equal to fifty (50%) percent of the Additional Holdback Amount together with any interest accrued thereon hereunder to Amalco; or

(ii) in the event that the Escrow Agent has not received written notice from Amalco of the occurrence of any of items (1), (2) or (3) described in paragraph (a)(i) above, by the end of the fifth (5th) Business Day in May 2008, then the Escrow Agent shall pay an amount equal to fifty (50%) percent of the Additional Holdback Amount together with any interest accrued thereon hereunder to the Shareholders in proportion to the number of Shares held by each of them at Closing.

(b) The remaining fifty (50%) percent of the Additional Holdback Amount shall be dealt with as follows:

(i) in the event that the Escrow Agent does not receive written notice from Amalco, which notice shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative and shall include a statutory declaration of Amalco or one of its officers verifying the content of such notice, within five (5) Business Days after the audited financial statements of Amalco or internally generated financial statements, as the case may be, as contemplated by section 2.11(e)(vii), for the period ended April 30, 2008 are received by Amalco, which Amalco shall cause to be provided to it no later than July 31, 2008, subject to auditors' ability to complete its review by such deadline (and Amalco shall notify the Escrow Agent thereof forthwith following its receipt), the expiration of such five (5) day period being the "**First EBITDA Deadline**", stating that the Tour Operator's programs with Amalco for the period from November 1, 2007 to April 30, 2008 have not contributed a minimum of $1.000.000 to Amalco's EBITDA for such period, then the Escrow Agent shall pay, within five (5) Business Days after the determination of such EBITDA contribution is made and in no event later than July 31, 2008, in addition to the 50% referred to in paragraph 8(a) above, an amount equal to 25% of the Additional Holdback Amount (the "**First EBITDA Amount**") together with any interest accrued thereon hereunder to the Shareholders in proportion to the number of Shares held by each of them at Closing; provided that should Amalco so provide such notice to the Escrow Agent, which notice shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative, on or before the First EBITDA Deadline then the Escrow Agent shall continue to retain such funds in escrow;

(ii) in the event that the Escrow Agent does not receive written notice from Amalco, which notice shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative and shall include a statutory declaration of Amalco or one of its officers verifying the content of such notice, within five (5) Business Days after the audited

financial statements of Amalco for the period ended April 30, 2009 are received by Amalco, which Amalco shall cause to be provided to it no later than July 31, 2009 (the expiration of such five (5) day period being the "**Second EBITDA Deadline**"), stating that the Tour Operator's programs with Amalco for the period from May 1, 2008 to April 30, 2009 have not contributed a minimum of $1,000,000 to Amalco's EBITDA for such period, then the Escrow Agent shall pay within five (5) Business Days after the determination of such EBITDA contribution is made and in no event later than July 31, 2009, the remaining amount of the Additional Holdback Amount (the "**Second EBITDA Amount**") together with any interest accrued thereon hereunder to the Shareholders in proportion to the number of Shares held by each of them at Closing;

(iii) notwithstanding clauses (i) and (ii) above, the remaining fifty (50%) percent of the Additional Holdback Amount shall be paid out to the Shareholders in proportion to the number of Shares held by each of them at Closing, in the manner and upon the occurrence of the events described below:

A. in the event that the Escrow Agent receives written notice from Amalco, which notice shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative, on or before the First EBITDA Deadline, stating that the Tour Operator's programs with Amalco for the period set out in clause 8(b)(i) above have contributed a minimum of $2,000,000 to Amalco's EBITDA for such period, then the First EBITDA Amount and the Second EBITDA Amount, together with any interest accrued thereon hereunder, shall be paid out by the Escrow Agent to the Shareholders (and, for certainty, in such circumstances, no additional amount shall be payable pursuant to clause (ii) above);

B. in the event that the Escrow Agent receives written notice from Amalco, which notice shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative stating that the Tour Operator's programs with Amalco for the periods set out in clauses 8(b)(i) and 8(b)(ii) above have contributed, in the aggregate, a minimum of $2,000,000 to Amalco's EBITDA for such periods, then the First EBITDA Amount and the Second EBITDA Amount, together with any interest accrued thereon hereunder shall be paid out by the Escrow Agent to the Shareholders (to the extent that the First EBITDA Amount had not already been paid out in accordance with clause 8(b)(i) above);

C. in the event that the Escrow Agent receives written notice from Amalco which notice shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative, stating that either (I) all of Amalco's operations for

the period November 1, 2007 to April 30, 2008 have in the aggregate contributed a minimum of $1,000,000 in excess of Amalco's budgeted total EBITDA in the amount determined by the parties to the Arrangement Agreement in writing for the said period, or (II) Amalco's actual total EBITDA for the period November 1, 2007 to October 31, 2008 exceeds the budgeted total EBITDA determined by the parties to the Arrangement Agreement in writing for the same period by $1,000,000, then the Second EBITDA Amount (but not the First EBITDA Amount, unless payable pursuant to another provision in this paragraph (b)) together with any interest accrued thereon hereunder shall be paid out by the Escrow Agent to the Shareholders (to the extent that the Second EBITDA Amount had not already been paid out in accordance with subparagraph B above);

D. should any portion of the remaining fifty (50%) percent of the Additional Holdback Amount not be payable to the Shareholders pursuant to the provisions of this paragraph (b), such portion shall be paid out by the Escrow Agent to Amalco together with any interest accrued thereon hereunder in accordance with a written direction received by the Escrow Agent from Amalco; and

E. Amalco shall be required to provide a notice to the Escrow Agent, which notice shall be contemporaneously copied to the Principal Shareholder and the Minority Shareholder Representative, forthwith following Amalco's determination of the fulfilment or non-fulfilment of each of the conditions of release set out in clauses A, B and C of this paragraph 8(iii), which notice, in the case of a non-fulfilment of a condition, shall contain a statutory declaration of Amalco or one of its officers verifying the contents of such notice.

(iv) All calculations pursuant the provisions of this paragraph (b) shall be determined in accordance with the terms and conditions set out in section 2.11(e) of the Arrangement Agreement.

LTU Holdback Amount

9. The LTU Holdback Amount shall be dealt with in the manner set forth below:

(a) subject to paragraph (b) below, on each of the first, second and third anniversary dates of the Closing, the Escrow Agent shall release and pay to the Shareholders (as directed by the Principal Shareholder and the Minority Shareholder Representative) an amount that is one-third of the LTU Holdback Amount together with any interest accrued thereon hereunder; and

(b) upon receipt of written notice from Amalco to the Escrow Agent which notice shall be contemporaneously copied to the Principal Shareholder and Minority Shareholder Representative and shall contain a statutory declaration of Amalco or

one of its officers, verifying the contents of such notice and which notice shall specify that there has been a default by LTU under the terms of the LTU-Sublease in any payment due to Amalco, and shall set forth in reasonable detail the particulars and the estimated value of such default, the Escrow Agent shall pay the then remaining amount of the LTU Holdback Amount, if any, together with interest accrued thereon hereunder, to Amalco.

General Provisions

10. Any payments to be made by the Escrow Agent to the Shareholders hereunder shall be made in accordance with a duly executed written direction received by the Escrow Agent from the Principal Shareholder and Minority Shareholder Representative, and made to such persons and entities and delivered by cheque to such addresses as have been set out in Schedule "A" hereto, unless otherwise directed by the Principal Shareholder, in respect of amounts payable to it, or by the Minority Shareholder Representative, in respect of amounts payable to any of the Minority Shareholders. Subject to any provision to the contrary hereunder, all payments to be made by the Escrow Agent to the Shareholders or to Amalco hereunder shall be paid forthwith following, but no later than ten (10) Business Days following, the date upon which the Escrow Agent shall have received notice of its requirement to make such payment or it is otherwise required under this Agreement to disburse such funds. To the extent that any of the escrowed funds referred to in this Agreement pertain to funds that are due to the Shareholders as part of the Redemption Price, such funds shall be deemed to be held on a separate and distinct basis from those escrowed funds that are due to Shareholders that are part of the Purchase Price, although the Escrow Agent shall have no additional duties in this regard.

11. The costs associated with the provision of services by the Escrow Agent hereunder shall be divided equally between Amalco and the Shareholders (as represented by the Principal Shareholder and the Minority Shareholder Representative). For each disbursement of funds to the Shareholders contemplated hereunder, including the review of any notice or direction sent to it and the preparation and delivery of any payments, the Escrow Agent shall charge a fee of $1,500. The Escrow Agent shall charge its usual professional fees for all other services required hereunder. In all cases, the Escrow Agent shall be reimbursed for its reasonable disbursements incurred in acting as the escrow agent hereunder.

12. References herein to sections, subsections, paragraphs, clauses or other such designations shall mean section, subsection, etc. of this Escrow Agreement, unless otherwise indicated.

13. The acceptance by the Escrow Agent of its duties and obligations under this Agreement is subject to the following terms and conditions:

    (a) the Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, receipt, certificate or other paper or document furnished to it which it in good faith believes to be genuine, and, in particular, until it receives notice to the contrary from the respective signing party, the Escrow Agent may rely upon the signatures of those officers of the Principal Shareholder and the

Minority Shareholder Representative set out in Schedule "B" hereto, as authorized signatories to any such notice, request or other document;

(b) except for its acts of gross negligence or wilful misconduct, the Escrow Agent shall not be liable for any error of judgment, fact or law, or act done or step taken or omitted by it in good faith;

(c) the Escrow Agent may consult with and obtain advice from legal counsel in the event of any question as to any of the provisions hereof or its duties hereunder, and it shall incur no liability and shall be fully protected in acting in good faith in accordance with the opinion and instructions of such counsel; and the cost of such services shall be added to and be part of the Escrow Agent's disbursements hereunder; and

(d) the Escrow Agent shall have no duties except those which are expressly set forth herein, and it shall not be bound by any notice of a claim or demand with respect thereto, or any waiver, modification, amendment, termination or rescission of this Agreement, not contemplated hereby, unless received by it in writing, and signed by the Principal Shareholder, the Minority Shareholder Representative and Amalco and, if the duties of the Escrow Agent herein are affected, unless the Escrow Agent shall have given its prior written consent thereto.

14. Unless otherwise explicitly provided herein, upon receipt of any of the notices set out in this Agreement, and the necessary enclosures or attachments, if any, the Escrow Agent shall act in accordance with such notices without the necessity for any further investigation or confirmation, however, for certainty, the Escrow Agent shall not be required to assess the validity of any such notices or any Claims described therein or any calculations or evidence provided in connection with them.

15. The Principal Shareholder, the Minority Shareholders (as represented herein by the Minority Shareholder Representative) and Amalco hereby jointly and severally indemnify and agree to save harmless the Escrow Agent from and against any and all liabilities and claims (including reasonable legal fees on a full indemnity basis and other reasonable out-of-pocket expenses) incurred by or made against the Escrow Agent in respect of any action or thing it may take or do or omit to take or do in carrying out its duties hereunder, except those incurred as a direct result of its own gross negligence or wilful misconduct.

16. In the event that the Escrow Agent shall be uncertain as to its duties or rights hereunder or shall receive instructions, claims or demands from any other parties hereto or from a third person with respect to any matter arising pursuant to this Agreement which, in its sole opinion, are in conflict with any provision of this Agreement and are not otherwise determinable by the terms of this Agreement, it shall be entitled to refrain from taking any action (other than to keep safely the funds held in escrow hereunder) until it shall be directed otherwise in writing by the Principal Shareholder, the Minority Shareholder Representative and Amalco or by an order or judgment of a court of competent jurisdiction from which no further direct appeal may be taken and/or in respect of which the time for appeal therefrom has expired. The Escrow Agent shall promptly provide to

the Principal Shareholder, the Minority Shareholder Representative and Amalco, written reasons, in reasonable detail, for its opinion above.

17. It is acknowledged and agreed to by the parties hereto that that the Escrow Agent is legal counsel to the Principal Shareholder and the Corporation in respect of the transactions contemplated by the Arrangement Agreement and that such relationship shall not constitute a conflict of interest with the responsibilities of the Escrow Agent hereunder.

18. Any notice, direction or other instrument required or permitted to be given to any party hereto shall be in writing and shall be sufficiently given if delivered personally, by courier or transmitted by fax or other form of recorded communication tested prior to transmission to such party, to such addresses and fax numbers as set out below, in the case of the Escrow Agent, notice shall be sent as follows:

Fraser Milner Casgrain LLP
P.O. Box 100
1 First Canadian Place
Toronto, Ontario
M5X 1B2

Attention: Ted Shoub
Fax No.: (416) 863-4592

or in the case of the Principal Shareholder, notice shall be sent as follows:

Skyservice Investments Inc.
9785 Ryan Avenue
Dorval, Quebec

Attention: Legal Counsel
Fax No.: (514) 636-7471

with a copy to:

Skyservice Investments Inc.

By mail:

P.O. Box 160, Toronto AMF
Mississauga, Ontario L5P 1B1

Attention: Chairman
Fax No.: (905) 678-5658

By courier:

6120 Midfield Road
Mississauga, Ontario L4W 2P7

Attention: Chairman
Fax No.: (905) 678-5658
with a copy to:

Fraser Milner Casgrain LLP
1 First Canadian Place
100 King Street West
Toronto, Ontario M5X 1B2

Attention: Chris Turney
Fax No.: (416) 863-4592

in the case of the Minority Shareholder Representative, notice shall be sent as follows:

Ron Patmore
101 Country Road 2
South Monaghan, Ontario K0L 1B0

Fax No: (705) 939-1128

in the case of Amalco, notice shall be sent as follows:

Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, Ontario M9W 1K6

Attention: Chief Financial Officer
Fax No.: (416) 679-5920

with a copy to:

Gibralt Capital Corporation
Suite 2600
1075 West Georgia Street
Vancouver, British Columbia V6E 3C9

Attention: Johnny Ciampi
Fax No.: (604) 661-4873

Any such notice, direction or other instrument, if delivered personally or by courier, shall be deemed to have been given and received on the day on which it was delivered, provided that if such day is not a Business Day then the notice, direction or other instrument shall be deemed to have been given and received on the first Business Day next following such day; and if transmitted by fax or other form of recorded communication, shall be deemed to have been given and received on the day of its transmission, provided that if such day is not a Business Day or if it is received after the end of normal business hours then the notice, direction or other instrument shall be

deemed to have been given and received on the first Business Day next following the day of such transmission.

Any party hereto may change its address for service from time to time by notice given to each of the other parties in accordance with the foregoing provisions.

19. All amounts payable by the Escrow Agent hereunder shall be paid by cheque to or to the order of the applicable payee. All amounts herein are in Canadian dollars. From all amounts payable hereunder to Shareholders who are not residents of Canada within the meaning of the *Income Tax Act* (as shall be evidenced by a letter from the Depositary listing those who indicated such in their respective Letter of Transmittal), shall be deducted 20%, which funds shall be paid by the Escrow Agent to the Section 116 Escrow Agent, which amounts shall be held in escrow and distributed in accordance with the Section 116 Escrow Agreement.

20. Time shall be of the essence of this Agreement.

21. This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

22. This Agreement may not be assigned or transferred by any of the parties hereto, other than to Amalco by reason of the amalgamations referred to in the recitals hereto, provided however that the Escrow Agent may assign its rights and obligations under this Agreement pursuant to the terms contained in Section 25 below. Notwithstanding the foregoing, upon an appointment of a replacement representative, from time to time, to take the place of the Minority Shareholder Representative pursuant to the terms of the Letters of Transmittal, such person shall become a party to this Agreement in the place of the Minority Shareholder Representative and shall be bound by and subject to the terms of this Agreement and entitled to the rights hereunder as if such person was the original Minority Shareholder Representative, upon the execution by such person of an adoption agreement in the form set out as Schedule "C" hereto. Upon such person becoming a party hereto, the then current Minority Shareholder Representative shall be released from all obligations hereunder other than in respects of his or her acts or omissions during the period prior to such replacement.

23. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, successors and assigns, as applicable, including without limitation, Amalco.

24. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same Agreement. To evidence its execution of an original counterpart of this Agreement, a party hereto may send a copy of its original signature on the execution page hereof to another party hereto by facsimile transmission and such transmission shall constitute delivery of an executed copy of this Agreement to the receiving party.

25. Notwithstanding any provision to the contrary herein, the Escrow Agent may disburse all or any portion of the escrowed funds held by it hereunder in such manner as may from

time to time be set out in an executed joint direction of all of the parties hereto and delivered to the Escrow Agent.

26. If the Escrow Agent at any time, in its sole discretion, deems it necessary or advisable to resign as Escrow Agent hereunder, it may do so by giving notice of such event to the parties hereto, who may then jointly designate a replacement escrow agent, provided that if the parties hereto cannot agree to any such replacement escrow agent, the parties hereto may apply to a court of competent jurisdiction to appoint a replacement escrow agent. If no such escrow agent shall be designated by the parties hereto within thirty (30) Business Days following such written notice, then the Escrow Agent may do so by delivering all funds then held by it in escrow pursuant to this Agreement, either to (a) any law firm, bank or trust company located in the Province of Ontario which is willing to act as a escrow agent hereunder in place of the Escrow Agent, or (b) if no such law firm, bank or trust company can be retained within a reasonable period after the delivery by the Escrow Agent of its notice, to the clerk or other proper officer of a court of competent jurisdiction located within the Province of Ontario to the extent permitted by law (any such successor to the Escrow Agent, whether such Person is designated by the parties hereto (other than the Escrow Agent) or such Person is designated pursuant to clauses (a) or (b) above of this Section 25 or otherwise, being the "**Successor Escrow Agent**"). The parties hereto (other than the Escrow Agent) may, at any time after the date hereof, agree in writing to substitute a Successor Escrow Agent for the Escrow Agent, whereupon the Escrow Agent shall deliver all funds then held by it in escrow pursuant to this Agreement to such Successor Escrow Agent, and such Successor Escrow Agent shall become the Escrow Agent for all purposes of this Agreement.

27. To the extent there exists any inconsistency between the provisions of this Agreement, on the one hand, and that of either the Arrangement Agreement or the Tour Operators Acknowledgement, on the other, the latter two documents shall prevail, provided that the obligations of the Escrow Agent shall be governed solely by this Agreement.

[Signature page follows]

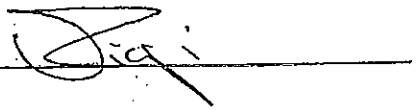
IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

SKYSERVICE INVESTMENTS INC.

_____

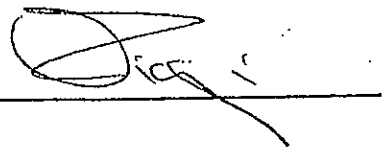
Per:
Title:

6756140 CANADA INC.



Per:
Title:

6806929 CANADA INC.



Per:
Title:

SKYSERVICE AIRLINES INC.

_____

Per:
Title:

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

SKYSERVICE INVESTMENTS INC.

Per:
Title:

6756140 CANADA INC.

Per:
Title:

6806929 CANADA INC.

Per:
Title:

SKYSERVICE AIRLINES INC.

Per:
Title:

SIGNED, SEALED AND DELIVERED)
in the presence of:)
)
)
)
)
)
)
)

Witness

RONALD PATMORE

FRASER MILNER CASGRAIN LLP

Per:
Title: Partner

Schedule "A"

Shareholders name (alphabetical)	Address	Number of Shares
346820 B.C. Ltd.	2909 Mathers Avenue, West Vancouver, BC V7V 2J7	4,400
Anand, Jasmine	266 Mountainberry Road, Brampton, ON L6R 1H9	960
Arrata, Said	951 Lake Placid Drive SE, Calgary AB T2J 4Z9	44,000
Avenir Capital Corporation	300-808 1st Street SW, Calgary, AB T2P 1M9	507,540
Baker, Casey	25 The Fairways, Unionville, ON L6C 2A3	20,000
Bank Von Tobel AG	Bahnhofstrasse 3 CH-8022, Zurich, Switzerland	48,000
Barnes, Christine	645 Ariel Crescent, Pickering, ON M1V 4V7	110
Boyle, Jo-Anne	16 Gregory Street, Brampton, ON L6Y 1G1	480
Braun, Garth	c/o Karmel Capital Corporation, 501-1166 Alberni Street, Vancouver, BC V6E 3Z3	11,000
Brown, Peter William	2080 Trutch Street, Vancouver, BC V6K 4L5	11,000
Catapult Investment Club	2081 West 37th Avenue, Vancouver, BC V6M 1N7	8,800
Cavendish Investing Ltd.	4615 Canterra Tower - 400-3rd Avenue S.W., Calgary, AB T2P 4H2	480,000
CBC Pension Board of Trustees	1204-99 Metcalfe Street, Ottawa, ON K1P 6L7	1,680,000
Christie, Elizabeth	32 Campbell Street, Collingwood, ON L9Y 2K8	110
CIBC Capital Partners, a division of Canadian Imperial Bank of Commerce	161 Bay Street, 7th Floor, Toronto, ON M5J 2S8	2,700,000
Clark, Thomas	112 Royal Crest Terrace NW, Calgary, AB T3G 4M2	2,400
Cofell, Bryden	26 Aurora Place, Brampton, ON L6Z 2A8	240
Compagnon, Cecil	80 Oakdale Blvd., Smithville, ON L0R 2A0	720
Cook, James	216-1 Jacksway Cr., London, ON N5X 3T5	4,800

Crowley, Frances	201-1888 Alberni Street, Vancouver, BC V6G 1B3	22,000
Da Silva, Maria	2229 Utley Road, Mississauga, ON L5J 1X3	240
Da Silva, Vandra	5652 Brenchley Avenue, Mississauga, ON L5V 2K2	1,200
Dalfen, Avi	157 Adelaide Street West, Suite 147, Toronto, ON M5H 4E7	20,000
Dempster, Cindy Helene	343 Sunnyside Avenue, Toronto, ON M6R 2R7	176
Depooter, Natasha	175 Dundas Street, Cambridge, ON N1R 5P2	3,360
Desrochers, Leo	1166 Bay Street, Suite 1402, Toronto, ON M5S 2X8	1,723,400
Di Santo, Carmelina	16 Hickory Street, Guelph, ON N1G 2X3	240
DiFalco, Franca	3228 Lednier Terrace, Mississauga, ON L4Y 3Z8	5,500
Dudelzak, Richard	19 Pumphill Close SW, Calgary, AB T2V 5E4	44,000
Duncan, Linda	P.O. Box 1038, Cookstown, ON L0L 1L0	960
Eisen, Ellen	23 Timberland Dr., Toronto, ON M3H 1J3	24,000
Eyjolfson, Angela	Box 1241, Gimli, MB R0C 1B0	2,880
Ferguson, Lana (nee Lawrence)	97 October Lane, Aurora, ON L4G 7A1	1,920
Ferracci, Danny	15 Cornerstone Court, Bolton, ON L7E 1T4	480
Fierro, Ann Marie	521 McRoberts Avenue, Toronto, ON M6E 4R3	480
Fiore, Nadia	6 Pelican Wood, Brampton, ON L6S 5E5	240
Forbes, Brenda	4228 Amaletta Cres., Burlington, ON L7M 5C5	960
Fraccaro, Linda	154 Crofters Road, Woodbridge, ON L4L 7G3	1,100
Gallant, Mark	112 Pine Ridge Drive, Guelph, ON N1L 1H7	3,360
Garand, Len	91 Welland Vale Road, RR3, St. Catherines, ON L2R 6P9	1,200
Gause, Fernando	53 Roslyn Road, Barrie, ON L4H 2X5	4,400

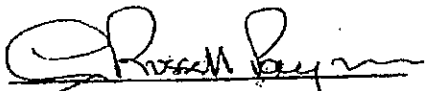
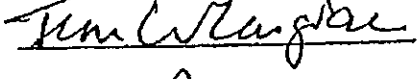
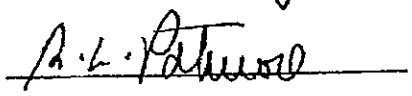
Geno-Volksbank EG A/C Ref: 0570467295	F/O Gunther Hindenburgstr. 204, Essen, Germany 45239	7,200
Griffin, Ian G.	Research Capital Corporation, 4500-199 Bay St. Commerce Court West Box 368, Toronto, ON M5L 1G2	24,000
Groot, Caroline	Box 1763, Gimli, MB R0C 1B0	1,200
Gundyco (for Wim Kuilder account No. 47510806)	CIBC World Markets Inc. 161 Bay Street, 10th Floor, Attn: Entitlement Department, Toronto, ON M5J 2S8	1,663
Harris, Danny	328 Calvert Road, RR #1, Murillo, ON P0T 2G0	1,200
Harris, Debra Alice	2254 Seymour Boulevard, North Vancouver, BC V7J 2J8	4,400
Hemsley Holdings Ltd.	940 Sherwood Lane, West Vancouver, BC V7V 3Z7	4,400
Hirst, Patrick	9510 Ardmore Drive, Sidney, BC V8L 5H3	1,540
Hirst, Susan	9510 Ardmore Drive, Sidney, BC V8L 5H3	1,540
Howard Barclay & Associates Ltd.	277 Lakeshore Road E., Suite 1302, Oakville, ON L6J 1H9	96,000
Howe, Peter Graham	32 Shewman Road, Brighton, ON K0K 1H0	4,400
Integral Wealth Securities Limited ITF Darrin Hopkins	c/o Janet Beighton, 20 Bay Street, Suite 1305, P.O. Box 18, Toronto, ON M5J 2M8	7,000
Integral Wealth Securities Limited ITF Tony Kinnon	c/o Janet Beighton, 20 Bay Street, Suite 1305, P.O. Box 18, Toronto, ON M5J 2M8	7,000
Investor Company ITF Acct 6P1506A	c/o TD Waterhouse Canada Inc., Corporate Actions Dept., 77 Bloor St. West, P.O. Box 5999 STN. F, Toronto, ON M4Y 2T1	110,000
Investor Company ITF Barlorne Holdings Limited A/C 6P1551A	c/o TD Waterhouse Canada Inc., Corporate Actions Dept., 77 Bloor St. West, P.O. Box 5999 STN. F, Toronto, ON M4Y 2T1	11,000
Investor Company ITF Charles J Howard A/C 6P1538A	c/o TD Waterhouse Canada Inc., Corporate Actions Dept., 77 Bloor St. West, P.O. Box 5999 STN. F, Toronto, ON M4Y 2T1	22,000
Investor Company ITF Debdonell Holdings Ltd. A/C 6P1600A	c/o TD Waterhouse Canada Inc., Corporate Actions Dept., 77 Bloor St. West, P.O. Box 5999 STN. F, Toronto, ON M4Y 2T1	44,000
Investor Company ITF Donald B Green A/C 6P1558A	c/o TD Waterhouse Canada Inc., Corporate Actions Dept., 77 Bloor St. West, P.O. Box 5999 STN. F, Toronto, ON M4Y 2T1	33,000
Isander Management Ltd.	1 Windmill Road, Toronto, ON M4G 2Y4	8,800

Jang, Augustina	5205 Sprucefield Road, West Vancouver, BC V7W 2X2	8,800
Johnson, Anthony	15 Morton Avenue, Sharon, ON L0G 1V0	440
Johnston, Paul	592 Emerald St., Burlington, ON L7R 2P2	600
Jolicoeur, Alain	3950 Fort Rolland, Lachine, QC H8T 1W2	1,814
Jones, Alan	23-1168 Arena Road, Mississauga, ON L4Y 4K7	960
Jong, Sylvia	531-22 Southport Street, Toronto, ON M6S 4Y9	2,530
Joy, Jeff	3524 N. Russelwood Drive, Appleton, WI, 54913 USA	4,800
Kamat, Ambee	40 Queen Mary Dr., Brampton, ON L7A 1Y1	2,400
Kamath, Shankar	3-3562 East 49th Avenue, Vancouver, BC V5S 1M4	880
Kapadia, Kaushik	10 Rusty Trail, Woodbridge, ON L4H 2E7	240
Karamanian, Houry	4 Sutton Court, Unionville, ON L3R 9B4	1,320
King, Mark	984 Anna Maria Avenue, Innisfil, ON L9S 1V5	2,200
Kitson, Denise	4560-198B Street, Langley, BC V3A 1H5	2,400
Lamb, Paul	13 Raymond Crescent, Barrie, ON L4N 0V4	4,800
Laurin, Jean-Maurice	2 Broadmeadow, Drogheda, Co. Louth, Ireland	44,000
Lee, Erik Che Lik	327-638 West 7th Avenue, Vancouver, BC V5Z 1B5	2,200
Leopold, Robert	32 Thornhill Avenue, Westmount, QC H3Y 2E2	24,000
Lomonaco, Mario	420-218 King St. East, Toronto, ON M5A 4T5	240
MacKenzie, Robyn Shirley	4323 Arundel Road, North Vancouver, BC V7R 3T1	22,000
MacLeish, Charles Arnie	1540 Manorbrook, Mississauga, ON L5M 4A8	4,800
Mah-Belo, OiWah	21 Garden Wood Avenue, Caledon, ON L7C 1E1	352
Marling-Howes, Cathy	329 Sandlewood Road, Oakville, ON L6R 3R9	1,680

McAllister, Scott	425 Eagle Street S., Cambridge, ON N3H 1E8	440
McAllister, Thomas	17 Radenhurst Crescent, Barrie, ON L4M 6C6	2,400
McCabe, Chris	160 Douglas Avenue, Oakville, ON L6J 3R8	1,920
McNeill, Donna	114 Hudson Drive, Toronto, ON M4T 2K5	2,200
Medendorp, Klariette	5 Queensborough Cr., Richmond Hill, ON L4E 4E4	3,300
Metcalfe, Christopher Robert	101-2365 West 3rd Avenue, Vancouver, BC V6K 1L6	2,200
Metcalfe, Jason Michael	P.O. Box 93041, West Vancouver, BC V7W 3G4	440
Metcalfe, Malcolm	P.O. Box 93041, West Vancouver, BC V7W 3G4	8,360
Mistry, Nilesh	7284 Bellshire Gate, Unit 3, Mississauga, ON L5N 8E3	1,920
Morris, Cynthia Helen	14706 Upper Roper Avenue, White Rock, BC V4B 2C9	19,800
Morwick, Jim	14 Heslop Court, Georgetown, ON L7G 4J4	1,100
Murfitt, Brian	2909 Mathers Avenue, West Vancouver, BC V7V 2J7	4,400
Murfitt, Reginald F.	148 Roy Avenue # 8, Penticton, BC V2A 3M9	2,200
Murray, Donald	47 Kenyan St. E., P.O. Box 1221, Alexandria, ON K0C 1A0	1,440
NBCN Clearing Inc. ITF Paul Rajchgod A/C 4TE772E	1410-1010 de la Gauchetière W., Montreal, QC H3B 5J2	4,000
Nijjar, Harkirat	4567 Hazel Street, Apt. 501, Burnaby, BC V5H 4V4	2,200
Orosz, Dana	3-219 Saint James Blvd. North, Lethbridge, AB T1H 6R2	2,160
O'Shea, Murray	54 Buckingham St., Orangeville, ON L9W 5H9	2,200
Patmore, Carol	101 County Road 2, South Monaghan, ON K0L 1B0	500,000
Patmore, Ronald L.	101 County Road 2, South Monaghan, ON K0L 1B0	800,200
Paul Jacobson in Trust for Patmore		128,500
Peatman, Pat	4 Woodside Park NW, Airdrie, AB T4B 2J9	660

Schedule "B"

Authorized Officers

Party	Officer	Signature
Principal Shareholder (any one of)	L. Russell Payson	
	Timothy Casgrain	
Minority Shareholder Representative	Ronald Patmore	

Goodmans LLP

Barristers & Solicitors

250 Yonge Street, Suite 2400
Toronto, Ontario Canada M5B 2M6

Telephone: 416.979.2211
Facsimile: 416.979.1234
goodmans.ca

Direct Line: 416.597.4259
jrosenthal@goodmans.ca

March 2, 2009

Our File No.: 080110

Delivered Via Facsimile

COPY

Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

Attention: Jackie Smalec, CFO

Dear Sirs:

Re: Skyservice Investments Inc. – Release of Additional Holdback Amount

We act for Skyservice Investments Inc. and for Ron Patmore, in his capacity as Minority Shareholder Representative. We are writing with respect to the Additional Holdback Amount (as that term is defined in the Arrangement Agreement dated as of August 14, 2007).

Pursuant to the Arrangement Agreement, the remaining amount of the Additional Holdback Amount and any interest thereon (referred to as the "Second EBITDA Amount") are to be immediately released by the Escrow Agent to the Shareholders, if any one of the following conditions has been met:

(i) if Conquest Vacations' 2008 winter programs (i.e. for the period November 1, 2007 to April 30, 2008) contributed a minimum of $2 million to Airlines' EBITDA;

(ii) if all of Airlines' operations for the period November 1, 2007 to April 30, 2008 contributed $1 million or more in excess of Airlines' budgeted total EBITDA for that period (such budgeted total EBITDA being $12.95 million); or

(iii) if Airlines' actual total EBITDA for the period November 1, 2007 to October 31, 2008 exceeded the budgeted total EBITDA for that period by $1 million (the budgeted total EBITDA being $20.4 million).

To the best of our clients' knowledge, one or more of those conditions has been met. Accordingly, we hereby demand that you immediately instruct the Escrow Agent to pay to the Shareholders the remaining amount of the Additional Holdback Amount and any interest thereon.

In the event that you take the position (which our clients dispute) that none of the foregoing conditions has been met, we request that you immediately provide the following information (along with the relevant back-up documentation):

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(i) the amount which Conquest Vacations' winter 2008 programs contributed to Airlines' EBITDA as at April 30, 2008, excluding from the calculation any concessions which Airlines may have agreed to or reserved for after April 30, 2008 with respect to Conquest's operations;

(ii) the total amount of Airlines' EBITDA (from all operations) for the period November 1, 2007 to April 30, 2008, excluding from the calculation any concessions which Airlines may have agreed to or reserved for after April 30, 2008 with respect to any tour operator's operations; and

(iii) the total amount of Airlines' EBITDA (from all operations) for the period November 1, 2007 to October 31, 2008, excluding from the calculation any concessions which Airlines may have agreed to or reserved for after October 31, 2008 with respect to any tour operator's operations.

We note that our clients have made repeated demands for the foregoing information, which demands have gone unanswered by you.

If, by the close of business on Friday, March 6, 2009, we have not received either:

(a) confirmation that you have instructed the Escrow Agent to pay to the Shareholders the remaining amount of the Additional Holdback Amount and any interest thereon; or

(b) satisfactory proof that none of the three conditions listed above has been met; then

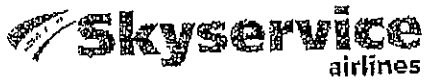
we have been instructed to commence legal proceedings to obtain payment of the remaining Additional Holdback Amount and any interest thereon.

Yours truly,

GOODMANS LLP

Julie Rosenthal
JGR/

cc: Johnny Ciampi
Michael Hannan
Ryan Chan
Lawrence Wilder
Lorne Silver



Jackie Smalec
V. P., Finance & CFO
tel: (416) 679-5705
fax: (416) 679-5920
jackie_smalec@skyservice.com

March 5, 2009

BY FACSIMILE

GOODMANS LLP
250 Yonge Street, Suite 2400
Toronto, ON M5B 2M6

Attention: Julie Rosenthal

Dear Sirs:

Re: **Skyservice Investments Inc. – Release of Additional Holdback Amount**
Your letter dated March 2, 2009
Our File No.: 200-495
Your File: 080110

We acknowledge receipt of your letter dated March 2, 2009 regarding the above-captioned matter. Please find below the information requested therein:

(i) the amount which Conquest Vacations' winter 2008 programs contributed to Airlines' EBITDA as at April 30, 2008, excluding from the calculation any concessions which Airlines may have agreed to or reserved for after April 30, 2008 with respect to Conquest's operations: CDN $ 1,930,941;

(ii) the total amount of Airlines' EBITDA (from all operations) for the period November 1, 2007 to April 30, 2008, excluding from the calculation any concessions which Airlines may have agreed to or reserved for after April 30, 2008 with respect to any tour operator's operations: CDN$ 12,434,393; and

(iii) the total amount of Airlines' EBITDA (from all operations) for the period November 1, 2007 to October 31, 2008, excluding from the calculation any concessions which Airlines may have agreed to or reserved for after October 31, 2008 with respect to any tour operator's operations: CDN $ 17,181,102.

Yours truly,

SKYSERVICE AIRLINES INC.

Jackie Smalec

cc: Catherine Duff-Caron (via facsimile)
Lawrence Wilder (via email)
Johnny Ciampi (via email)

Goodmans LLP

Barristers & Solicitors

250 Yonge Street, Suite 2400
Toronto, Ontario Canada M5B 2M6

Telephone: 416.979.2211
Facsimile: 416.979.1234
goodmans.ca

Direct Line: 416.597.4259
jrosenthal@goodmans.ca

April 2, 2009

Our File No.: 090628

Delivered Via Facsimile

Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

Attention: Jackie Smalec, CFO

Dear Sirs:

Re: Skyservice Investments Inc. – Release of Additional Holdback Amount

We are writing further to your letter of March 6, 2009.

With respect to the information provided in paragraph (i) of your letter – i.e. the information related to the amount which Conquest Vacations' winter 2008 programs contributed to Airlines' EBITDA as at April 30, 2008 – we ask that you please provide us with Airlines' audited financial statements for the year ending April 30, 2008, segmented to show Conquest Vacations' contribution to Airlines' EBITDA.

Alternatively, if financial statements for the year ending April 30, 2008 are not available because Airlines has changed its financial year-end, then we ask you please to provide internally generated financial statements for the period from November 1, 2007 to April 30, 2008, segmented to show Conquest Vacations' contribution to Airlines' EBITDA and reviewed by Airlines' auditors.

We look forward to hearing from you.

Yours truly,

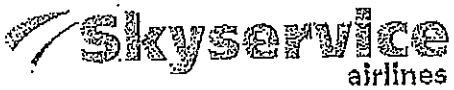
GOODMANS LLP

Julie Rosenthal

Julie Rosenthal
JGR/

cc: Johnny Ciampi
Michael Hannan
Ryan Chan
Lawrence Wilder
Lorne Silver

GOODMANS\\5697455.1



Jackie Smalec
V. P., Finance & CFO
tel: (416) 679-5705
fax: (416) 679-5920
jackie_smalec@skyservice.com

April 28, 2009

BY FACSIMILE

GOODMANS LLP
250 Yonge Street, Suite 2400
Toronto, ON M5B 2M6

Attention: Julie Rosenthal

Dear Sirs:

Re: Skyservice Investments Inc. – Release of Additional Holdback Amount
Your letter dated April 2, 2009
Our File No.: 200-495
Your File: 090628

Further to your letter of April 2, 2009, please find attached an internally generated statement of earnings for the period November 1, 2007 to April 30, 2008. This statement includes total EBITDA calculation for the period as well as the contribution to EBITDA from Conquest Vacations.

Yours truly,

SKYSERVICE AIRLINES INC.

Jackie Smalec

cc: Catherine Duff-Caron (via facsimile)
Lawrence Wilder (via email)
Johnny Ciampi (via email)

Skyservice Airlines Inc.
Consolidated Statement of Operations and Deficit
(In Canadian dollars)
For the Six Months Ending April 30, 2008

Revenues	$	301,765,619
Expenses:		
Operating		289,351,226
Amortization of Intangibles		1,655,190
Amortization of property, plant and equipment		1,661,575
Amortization of deferred costs		416,471
Interest on long-term debt		1,329,567
		294,414,029
Income before income taxes		7,371,590
Income taxes:		
Current		3,952,855
Deferred		(1,136,619)
		2,816,236
Net Income		4,555,354
Net EBITDA		12,434,393

Note:
EBITDA from Conquest Vacations activity is $1,930,941.

Skyservice

Rob Giguere
President & CEO
tel: (416) 679-5778
fax: (416) 679-5920
rob_giguere@skyservice.com

May 4, 2009

BY FACSIMILE (416) 868-6541

LEGACY PRIVATE TRUST
1 Toronto Street, Suite 800
Toronto, ON M5C 2V6

Dear Sirs:

Re: **Arrangement Agreement between Skyservice Investments Inc., 675140 Canada Inc., 6806929 Canada Inc. and Skyservice Airlines Inc. (the "Corporation") dated August 14, 2007 (the "Arrangement Agreement")**

Escrow Agreement dated October 19, 2007 between Skyservice Investments Inc., 6756140 Canada Inc., 6806929 Canada Inc., Skyservice Airlines Inc., Ronald Patmore and Fraser Milner Casgrain LLP, as amended to substitute Legacy Private Trust for Escrow Agent (the "Escrow Agreement")

This letter shall constitute notice pursuant to clause 2.11(e)(iii) of the Arrangement Agreement that the programs of Conquest Vacations Inc. (the "TO") for the period from May 1, 2008 to April 30, 2009 have not contributed a minimum of $1,000,000 to the Corporation's EBITDA for such period. Furthermore, the aggregate contribution to the Corporation's EBITDA in connection with the TO's programs for the two periods November 1, 2007 to April 30, 2008 and May 1, 2008 to April 30, 2009 do not equal or exceed $2,000,000, as contemplated in clauses 2.11(e)(iv) and (v).

All terms not otherwise defined herein shall have the meaning ascribed to them in the Arrangement Agreement.

Yours truly,

SKYSERVICE AIRLINES INC.

Per: Rob Giguere
Title: President & CEO

cc: Catherine Duff-Caron, Skyservice Investments Inc. (via facsimile)
Lawrence Wilder, Cassels Brock & Blackwell LLP (via facsimile)
Johnny Ciampi, (via email)

Goodmans

Barristers & Solicitors
250 Yonge Street, Suite 2400
Toronto, Ontario Canada M5B 2M6
Telephone: 416.979.2211
Facsimile: 416.979.1234
goodmans.ca

Direct Line: 416.597.4259
jrosenthal@goodmans.ca

May 6, 2009

Our File No.: 090628

Delivered Via Facsimile

Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

Attention: Rob Giguere, President and CEO

Dear Sirs:

Re: Skyservice Investments Inc. – Release of Additional Holdback Amount

As you know, we are the solicitors for Skyservice Investments Inc. and Ron Patmore, in his capacity as Minority Shareholder Representative.

We are writing further to your letter dated May 4, 2009 sent to Legacy Private Trust ("the escrow agent").

Your letter purports to constitute notice pursuant to clause 2.11(e)(iii) of the Arrangement Agreement, and asserts that the programs of Conquest Vacations inc. for the period from May 1, 2008 to April 30, 2009 have not contributed a minimum of $1 million to Airlines' EBITDA for that period, and further asserts that the aggregate contribution to Airlines' EBITDA in connection with [Conquest's] programs for the two periods November 1, 2007 to April 30, 2008 and May 1, 2008 to April 30, 2009 do not equal or exceed $2 million.

We also refer to Jackie Smalec's letter of March 5, 2009 which asserted that the amount which Conquest's winter 2008 programs contributed to Airlines' EBITDA as at April 30, 2008, excluding from the calculation any concessions which Airlines may have agreed to or reserved for after April 30, 2008 with respect to Conquest's operations was $1,930,941.

Ms. Smalec's letter of March 5 also contained other assertions with respect to Airlines' EBITDA for the periods November 1, 2007 to April 30, 2008 and November 1, 2007 to October 31, 2008.

We do not accept either the assertions contained in your letter, or the assertions contained in Ms. Smalec's letter of March 5.

To that end, we have already asked Ms. Smalec to provide internally generated financial statements for the period from November 1, 2007 to April 30, 2008, segmented to show Conquest Vacations' contribution to Airlines' EBITDA and reviewed by Airlines' auditors. Those have not been provided.

Goodmans LLP

Instead, Ms. Smalec provided us with an "internally generated statement of earnings" for the relevant time period, which contains a "note" that asserts EBITDA from Conquest Vacations activity to be $1,930,941. This is obviously not satisfactory, nor is it responsive to our request.

Accordingly, we repeat our request for internally generated financial statements for the period from November 1, 2007 to April 30, 2008, segmented to show Conquest Vacations' contribution to Airlines' EBITDA and reviewed by Airlines' auditors.

In addition, we request the following:

1. Airlines' audited financial statements for the year ending April 30, 2008, segmented to show Conquest Vacations' contribution to Airlines' EBITDA;

2. Airlines' audited financial statements for the year ending April 30, 2009, segmented to show Conquest Vacations' contribution to Airlines' EBITDA;

3. if #1 and/or #2 are not available because Airlines has changed its financial year-end, then internally generated financial statements for the periods November 1, 2007 to April 30 2008, and May 1, 2008 to April 30, 2009, segmented to show Conquest Vacations' contribution to Airlines EBITDA, which have been reviewed by Airlines' auditors; and

4. Airlines' audited financial statements for the period November 1, 2007 to October 31, 2008.

We ask that you provide these documents to us as soon as possible.

In addition, we note that your purported notice to the escrow agent is deficient because, among other things, it fails to comply with the provisions of section 8(b)(iii)E of the Escrow Agreement, made as of October 19, 2007.

Finally, we wish to make it perfectly clear that our clients strongly oppose any attempt by Airlines to obtain for itself the remaining amount of the Additional Holdback. Rather, our clients take the position that, pursuant to the terms of the Arrangement Agreement and pursuant to the terms of the Escrow Agreement, the remaining amount of the Additional Holdback should be released to the Principal Shareholder and to the Minority Shareholder Representative. To that end, please find attached a copy of a letter to that effect that we sent to the escrow agent on or about April 29, 2009.

Goodmans LLP

Yours truly,

GOODMANS LLP

Julie Rosenthal
JGR/

cc: Johnny Ciampi
Lawrence Wilder
Carolyn Love, Legacy Private Trust

GOODMANS\\5714370.1

CASSELS BROCK
LAWYERS

May 8, 2009

DELIVERED BY FACSIMILE

lsilver@casselsbrock.com
tel: 416 869 5490
fax: 416 640 3018
file #: 40160-3

Julie Rosenthal
Goodmans
250 Yonge Street
Suite 2400
Toronto ON M5B 2M6

Dear Ms. Rosenthal:

Re: Skyservice Investments Inc. – Release of Additional Holdback Amount

We have been provided with a copy of your letter to Rob Giguere dated May 6, 2009.

As you indicate in your letter, our client accepts that the Arrangement Agreement provides that the internally generated financial statements to be provided are to be reviewed by our client's auditor. The same provision of the Arrangement Agreement (clause 2.11(viii)) also provides that the incremental cost incurred in connection with the preparation of the subject financial statements shall be shared equally by your client and ours.

Inquiries have been made of our client's auditor and we will be in a position to advise next week of the date that the financial statements will be ready, along with an estimate of cost.

We also acknowledge, on behalf of our client, the deficiency in the notice to the escrow agent and, next week, we will provide additional documentation to cure same.

/2

CASSELS BROCK
LAWYERS

I trust the foregoing is satisfactory; however, if you have any questions or concerns, please do not hesitate to contact me.

Yours very truly,

Lorne S. Silver
LSS/cb
cc. Rob Giguere
Jackie Smalec
Sabah Mirza
Lawrie Wilder

From: Silver, Lorne [lsilver@CasselsBrock.com]
Sent: Tuesday, June 02, 2009 11:57 AM
To: Rosenthal, Julie
Cc: Wilder, Lawrence; Sabah Mirza; Jackie Smalec
Subject: Conquest EBITDA

Julie,

Please find below the email from KPMG setting out some questions that they have regarding the engagement relating to the Conquest EBITDA matter. On behalf of your clients, may we please have your comments at your earliest convenience. Thanks.

Lorne S. Silver
Cassels Brock & Blackwell LLP
Barristers and Solicitors
Scotia Plaza, 21st floor
40 King Street West
Toronto, ON M5H 3C2
Direct Telephone: (416) 869-5490
Direct Fax No.: (416) 640-3018
Email Address: lsilver@casselsbrock.com

From: George, Ashley M [mailto:ageorge@kpmg.ca]
Sent: Thursday, May 28, 2009 11:49 AM
To: Barbara Syrek
Cc: Jackie Smalec; Brown, Tammy L
Subject: Conquest EBITDA Review

Hi Barbara,

Further to our discussion regarding the Conquest EBITDA review for the period from November 1, 2007 to April 30, 2009, there are a couple of points that we would like to clarify in order to best determine how we plan the engagement and appropriate deliverables so that we can move forward from here.

Based on my review of the agreement, it appears that the EBITDA contributed by Conquest's programs for the period from November 1, 2007 to April 30, 2009 shall be determined based on the audited financial statements of Skyservice for the period ended April 30th, unless the financial year end of Skyservice does not end on April 30th, in which case, the parties involved would determine the applicable EBITDA on the basis of internally generated financial statements which are reviewed by Skyservice's auditors. As you and I discussed, KPMG has audited the financial statements of Skyservice for the period from November 1, 2007 to October 31, 2008. The audit performed was over the entity as a whole based on a materiality level appropriate for Skyservice Airlines Inc.

For the purposes of the EBITDA review, would the parties be okay to accept the internally generated financial statements for the period from November 1, 2007 to October 31, 2008 together with the audited financial statements and then have KPMG complete additional procedures to provide some comfort for the period from November 1, 2008 to April 30, 2009? For example, we could perform specified procedures for the time period and provide a report detailing the specified procedures performed and the results of those procedures. Some of the procedures we could perform for the period from November 1, 2008 to April 30, 2009 could include:

- vouching subsequent cash receipts for a sample of amounts recognized as revenue during the period
- vouching a sample of direct costs allocated to the Conquest EBITDA

- vouching the number of ASMs or other cost drivers to the SkyWeb system, and reviewing the reasonableness of the allocation of indirect costs in reference to the related cost driver

The procedures would need to be drafted and agreed to, which I could use some assistance with.

If this type of report would not be suitable to the needs of the parties, what would be the required report? If an audit or review opinion for the period from November 1, 2007 to April 30, 2009 would be required than we would need to consider the materiality level of the Conquest EBITDA as compared to the work we have already completed for Skyservice Airlines Inc.

Can you let me know what you the parties will require?

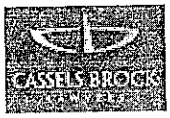
Ashley

Lorne Silver

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto Canada M5H 3C2

tel 416 869 5490
fax 416 640 3018
lsilver@casselsbrock.com

www.casselsbrock.com



Please consider the environment before printing this email.

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
North York, ON M2P 2H3

Telephone(416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

PRIVATE & CONFIDENTIAL
Ms. Jackie Smalec
Chief Financial Officer
Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

June 15, 2009

Dear Ms. Smalec:

Introduction

This letter confirms the terms of the engagement of KPMG LLP and its subsidiaries ("KPMG" or "we") by Skyservice Airlines Inc., ("Skyservice", "Client" or "you") to assist you in performing limited procedures in connection with Skyservice's calculation of the Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") derived from Skyservice's program with Conquest Vacation Company from the period from November 1, 2008 to April 30, 2009 ("Conquest EBITDA"). The following sections describe the objective of our engagement, the nature of the services we will provide, and our professional arrangements.

Objective

Our objective is to assist you with your assessment of the Conquest EBITDA. In this regard and pursuant to your requests, we will make limited inquiries and perform procedures based on information made available to us. Our assistance will be directed towards those business activities and related financial data that you have identified as being of concern to you.

Transaction Services Procedures

The limited procedures we perform are modified to meet each client's informational requests. The procedures which are to be performed in this instance have been agreed in advance with you and are attached as Appendix A. Any agreed developments in the scope of our work as the engagement progresses will be reported in writing and will be subject to the terms of this letter unless otherwise agreed in writing.

KPMG

Reporting

During the course of our work, we will keep you informed of our progress, significant issues we have identified and projected timelines to completion. Our report will only comment on salient findings resulting from the limited procedures performed. Our report will include a statement that the information presented is based on discussions with and information provided by Skyservice's management. We draw your attention to Section 35 of the attached Terms and Conditions which restricts the circulation of our report.

Our report will be prepared on the basis that you will provide us with all relevant information that you have received concerning Conquest EBITDA. We have no obligation to update our report or to revise the information contained therein because of events and transactions occurring subsequent to the date of the report.

Engagement Team

Our engagement team will be led by the following:

- Engagement Partner: Tammy Brown
- Engagement Manager: Ashley George

Professional Fees

Our professional fees are based on the actual time required to complete the agreed upon work at standard hourly rates. Our current estimate for the engagement is $15,000. The work is scheduled to begin on June 22, 2009.

In addition, we will bill you for reasonable out-of-pocket expenses such as travel, meals, and accommodations. Administrative support will be billed at 5% of total standard fees incurred on the engagement. The fees quoted above exclude any meetings or additional procedures requested by Skyservice subsequent to the presentation of our report.

All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Skyservice without deduction from the fees and charges hereunder.

Additional costs may be required as a result of any material change in the engagement or difficulties in obtaining information which could not reasonably be foreseen and which cause additional work not included in the original estimate. We will discuss and obtain approval from you of any material changes in the engagement or difficulties in obtaining information prior to performing any additional work.

KPMG

Terms and Conditions

Our engagement is subject to the Terms and Conditions attached as Appendix B.

Debriefing

On completion of the engagement, as part of our commitment to the quality of our services, we would welcome the opportunity to receive your views on the work carried out by ourselves and the service delivered.

Confirmation

Please indicate your acceptance of these arrangements by signing and returning one copy of this letter to the undersigned at fax (416) 228-7123. We are pleased to discuss this letter and our engagement with you at any time. We look forward to working with you on this engagement.

Yours very truly,

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Tammy Brown
Partner
(416) 549-7857

We are in agreement with the foregoing:

SKYSERVICE AIRLINES INC.

By: _____

Name: _____

Title: _____

Date: _____

Skyservice Airlines Inc.

Conquest EBITDA Agreed Upon Procedures

Please note these procedures will cover the time period from November 1, 2008 to April 30, 2009 ("the period"). Materiality for the purpose of setting sample sizes for testing purposes has been calculated at 5% of Conquest revenues for the period.

Revenue

- Vouch all amounts recognized as revenue during the period to subsequent cash receipts.
- Report to Skyservice any amounts recognized in revenue during the period for which the cash has not been received to the date of completion of our fieldwork.
- Review credit memos issued between May 1, 2009 and June 5, 2009 to report whether any credit memos issued pertained to revenue recognized prior to April 30, 2009.
- Select the last 5 flights prior to May 1, 2009 and the first 5 flights after April 30, 2009 and agree to the invoice and journey log. Test whether the revenue and receivable was recorded in the correct period.
- Document the revenue recognition policy used by the Company.

Expenses

- Vouch a sample of direct operating expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch the number of ASMs and flight hours for the period to the SkyWeb system.
- Vouch a sample of indirect operating expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the indirect operating expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method.
- Vouch a sample of aircraft rental expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch a sample of pilot salaries and expenses to payroll registers or other supporting documentation. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. KPMG will also document whether the expenses are directly related to Conquest.
- Vouch a sample of administrative overhead expenses to supporting documentation and determine whether the expenses are recorded in the appropriate period. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the administrative overhead expenses could pertain to more than one tour

operator, KPMG will also inquire as to and recalculate the allocation method.

Liabilities and Accruals

- Obtain a reconciliation of the accounts payable sub-ledger to the general ledger as at April 30, 2009 and request and document support for any reconciling items greater than $5,000.
- Perform a search for unrecorded liabilities using a scope of $50,000.
- Obtain schedules of accrued liabilities greater than $10,000 and document the accounting support of the balances through inquiry, vouching to supporting documentation and/or recalculation. Consider the following miscellaneous accruals (note this list may not be a complete listing):
  - i) Fuel Accrual
  - ii) Accrued wages
  - iii) Accrued Direct Operating Costs
  - iv) Accrued Irregular Operations
  - v) Maintenance Reserves
- Inquire as to the existence of any contingent liabilities at April 30, 2009.

Other

- Report on any amounts included within Conquest EBITDA in respect of Management Fees.
- Recalculate Conquest EBITDA based on the schedules provided by Skyservice.

KPMG

TERMS AND CONDITIONS FOR ADVISORY SERVICES

1. TERMS AND CONDITIONS.

a. The Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.

b. In the event of conflict between the Proposal or Engagement Letter and the Terms and Conditions, the Terms and Conditions shall prevail unless specific reference to a provision is made in the Proposal or Engagement Letter. Other capitalized words in the Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in the Terms and Conditions shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

3. CLIENT RESPONSIBILITIES.

a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information to the extent necessary for KPMG to perform the services under the Engagement Letter. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.

b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.

c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.

d. Client acknowledges that information made available by it, or by the others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provisions of the services shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

4. REPORTING.

a. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned.

b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions.

5. WORKING PAPERS AND USE OF REPORTS.

KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are intended solely for Client's internal use and, where applicable, government taxation authorities, and may not be edited, distributed, published, made available or relied upon by any other person without KPMG's express written permission. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.

6. CONFIDENTIALITY.

a. Except as described in section 5 above, Client will treat in confidence any KPMG methodologies, know-how, knowledge, application or software identified by KPMG as confidential information of KPMG, and will not use or disclose such confidential information of KPMG to others.

b. KPMG will treat as confidential all proprietary information obtained from Client in the course of the engagement and, except as described in this section, KPMG will only use such information in connection with the performance of its services.

c. The above restrictions shall not apply to any confidential information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by Client or KPMG, as the case may be.

d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.

e. KPMG shall be entitled to share all Client confidential information with all other member firms of KPMG International performing services hereunder. KPMG may also use confidential information to offer services that may be of interest to Client. KPMG may retain and may disclose to other member firms of KPMG International, subject to terms of this section, copies of Client's confidential information required for compliance with applicable professional standards or internal policies or quality reviews.

f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may

use all such findings, observations and recommendations in KPMG's assurance engagement.

7. PERSONAL INFORMATION.

KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement. KPMG will only collect, use or disclose such personal information in accordance with the KPMG Privacy Policy, a copy of which will be provided on request.

8. INFORMATION PROCESSING OUTSIDE OF CANADA.

In some circumstances, personal and/or confidential information collected by KPMG during the course of this engagement may be processed and stored outside of Canada by KPMG or a third party processor, and such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored. These laws may not provide the same level of protection for such information as will Canadian laws.

9. CONSENTS AND NOTICES.

Client represents and warrants that: (i) it will obtain all consents required by law to permit KPMG to collect, use and disclose all personal information that may reasonably be required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in paragraph 8 above) to all individuals whose personal information is disclosed to KPMG.

10. TAXES/BILLING/EXPENSES/FEES.

a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.

b. Bills, including, without limitation, a charge on account of all reasonable expenses, including travel, meals, accommodations, long distance, telecommunications, photocopying, delivery, postage, clerical assistance and database research will be rendered on a regular basis as the engagement progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.

c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.

d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

11. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

12. LIMITATION ON LIABILITY.

a. Client agrees that KPMG shall not be liable to Client for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement. On a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. In the event of a claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Client will indemnify KPMG from all such claims, liabilities, damages, costs and expenses, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. In no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). In any action, claim, loss or damages arising out of the engagement, Client agrees that KPMG's liability will be several and not joint and several. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this section, the term KPMG shall include its associated and affiliated entities and their respective partners, directors, officers and employees. The provisions of this section shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

13. LEGAL PROCEEDINGS.

a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's advice or report or any related document.

b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process or requested by Client to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, incurred in responding to such requests.

c. When requested or required by law, subpoena or other legal process or otherwise, that KPMG provide information and documents relating to Client's affairs, KPMG will use all reasonable efforts to refuse to provide information and documents over which Client asserts legal privilege or which has been acquired or produced in the context of the engagement of legal counsel by or on behalf of Client, except where providing such copies, access or information is required by law, by a provincial Institute/Ordre pursuant to its statutory authority, or a public oversight board in respect of reporting issuers (both in Canada and abroad) pursuant to its contractual or statutory authority. Where Client provides any document to KPMG in respect of which Client wishes to assert legal privilege, Client shall clearly mark such document "privileged" and shall otherwise clearly advise KPMG that Client wishes to maintain legal privilege in respect thereof.

14. LIMITATION PERIOD.

No action, regardless of form, arising under or relating to the engagement, may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement in the case of an advisory services engagement and not more than eight years after completion of the engagement in the case of a tax services engagement, except that an action for non-payment may be brought by a party not later than one year following the date of the last payment due to such party hereunder. For purposes of this section, the term KPMG shall include its associated and affiliated entities and their respective partners, directors, officers and employees.

15. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting. The engagement may be terminated by either

party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

16. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of risk associated with its use.

17. POTENTIAL CONFLICTS OF INTEREST.

Except as otherwise set out herein, Client should be aware that it is not uncommon for KPMG to be auditors and/or advisors of more than one of the parties involved in a transaction. In such situations, KPMG takes appropriate measures to ensure that strict confidentiality is maintained in all respects. If these circumstances are identified, KPMG will advise Client of that fact, subject to confidentiality requirements, and will consider with Client what further measures, if any, are appropriate. Client further acknowledges that at some point KPMG may act contrary to Client's interest on unrelated matters.

18. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

19. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

20. SURVIVAL.

Sections 1 to 17 and 20, 21, 25, 26 and 30 hereof shall survive the expiration or termination of the engagement.

21. SUCCESSORS AND ASSIGNS.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may engage independent contractors and member firms of KPMG International to assist KPMG in performing the services hereunder.

22. SEVERABILITY.

The provisions of the Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of the Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

23. ENTIRE AGREEMENT.

The Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

24. GOVERNING LAW.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province in which KPMG's principal office performing the engagement is located (without regard to such province's rules on conflicts of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province.

25. [INTENTIONALLY DELETED]

26. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all member firms of KPMG International performing services hereunder shall be entitled to the benefits of the Terms and Conditions. Client agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party and not against any other KPMG International member firms.

27. [INTENTIONALLY DELETED]

28. [INTENTIONALLY DELETED]

29. SPECIFIC ACCOUNTING ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

30. [INTENTIONALLY DELETED]

31. LLP.

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the various Institutes/Ordre of Chartered Accountants. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

32. PROCEDURES.

The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Skyservice or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. Our findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting our findings, KPMG will rely exclusively upon information provided to KPMG by

Skyservice, its personnel and advisors and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG's procedures with respect to Skyservice's financial information will be substantially less in scope than an audit or review engagement conducted in accordance with Canadian generally accepted auditing or review standards. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Skyservice's financial statements or Skyservice's internal control over financial reporting.

33. REPORTING.

All oral and written communications by KPMG to Client with respect to the engagement, including drafts and those communications occurring prior to the execution of the Engagement Letter will be subject to the terms and conditions of the Engagement Letter and these Additional Terms and Conditions. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like us to perform or areas to address.

34. PROJECTIONS.

In the event we perform procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

35. DISTRIBUTION OF REPORT.

a. KPMG's report is confidential and intended solely for the use of the management of Client to assist with this specific matter and is not for general use, circulation or publication. KPMG's report is not to be referred to, published, circulated, reproduced or used for any other purpose, nor may our name be quoted or our logo reproduced in any form or medium, without our prior written permission in each specific instance, such prior written permission may be unreasonably withheld by KPMG. The content of this paragraph will be reproduced in the report. This section 4 .a. shall not apply if Client is a KPMG SEC registered audit. client or affiliate and where tax services are contemplated hereunder.

b. In certain instances, Client may request that our report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.

36. CONSENT TO ACT FOR OTHER CURRENT OR POTENTIAL BIDDER(S).

a. Notwithstanding those provisions set out in section 15 of the accompanying Terms and Conditions for Advisory and Tax Services regarding potential conflicts of interest, specifically, KPMG may currently or potentially be engaged by another party or parties (each a "Current or Potential Bidder") in connection with the transaction involving Target (as such term is defined in the Engagement Letter) that is the same subject of this Engagement Letter, including, without limitation, engagement by KPMG to assist such Current or Potential Bidder(s) with its due diligence investigation of the affairs of Target. In the case of such engagement of KPMG by Current or Potential Bidder(s), Client hereby consents to KPMG being engaged by Current or Potential Bidder(s) and hereby waives any current or potential conflict of interest. Client accepts and agrees that KPMG will not inform Client if another KPMG team is engaged by any Current or Potential Bidder(s). Client also agrees to indemnify and hold harmless KPMG, its subsidiaries, associates and affiliates and their respective partners, directors, officers and employees from any demand, complaint, action, suit, proceeding or claim by any other third party that alleges that KPMG was in a conflict of interest by providing services to both Client and Current or Potential Bidder(s) during or prior to providing services to Client.

37. SURVIVAL.

Sections 35, 36 and 37 shall survive the expiry or termination of the engagement.

From: George, Ashley M [mailto:ageorge@kpmg.ca]
Sent: Tuesday, June 16, 2009 11:05 AM
To: Barbara Syrek
Subject: RE: CON review

Hi Barbara,

Please find attached a Word document where I have laid out in more specifics what we will require to complete our review. Hopefully this will clarify the requirements. As well, please find attached the Mothership/Conquest GL accounts with the items I would like to see transaction detail for highlighted in yellow. Once the GL detail is provided for these accounts I can select our samples and provide to you. The account selection is based on how I interpret the allocation to work with respect to costs specifically related to Conquest versus cost pools allocated to Conquest. If any of the items selected appear odd please let me know and we can discuss.

Thank you,

Ashley

Skyservice Airlines Inc.

Conquest EBITDA Agreed Upon Procedures

Please note these procedures will cover the time period from November 1, 2008 to April 30, 2009 ("the period"). Materiality for the purpose of setting sample sizes for testing purposes has been calculated at 5% of Conquest revenues for the period.

Revenue

- Vouch all amounts recognized as revenue during the period to subsequent cash receipts.
  - Please provide the transaction detail in Excel of all amounts recognized as revenue for the period from November 1, 2008 to April 30, 3009. In the Excel column beside each of the transaction detail, please document the following:
    - Cheque number, amount and date that the payment was received. Please also provide a copy of the cheque.
    - For those amounts which have been reversed from revenue, please document in Excel the nature of the reversal (i.e. credit note) and provide supporting documentation.
    - For those amounts not yet collected, please indicate whether the balance is in accounts receivable and whether or not any provision has been recognized for the transaction.
- Report to Skyservice any amounts recognized in revenue during the period for which the cash has not been received to the date of completion of our fieldwork.
  - Addressed through the request above.
- Review credit memos issued between May 1, 2009 and June 5, 2009 to report whether any credit memos issued pertained to revenue recognized prior to April 30, 2009.
  - Please provide copies of all credit memos issued between November 1, 2008 and April 30, 2009. Please provide a sum total listing of all credit memos issued pertaining to the period ended April 30, 2009.
- Select the last 5 flights prior to May 1, 2009 and the first 5 flights after April 30, 2009 and agree to the invoice and journey log. Test whether the revenue and receivable was recorded in the correct period.
  - Please provide details from SkyWeb of the last 5 flights prior to May 1, 2009 and the first 5 flights after April 30, 2009. Please also provide the GL details for the flights to support the period in which they were recorded in revenue. Please also provide the journey logs for these flights.
- Document the revenue recognition policy used by the Company.
  - Please provide a brief memo on how the Mothership Costs are allocated to the tour operators. Please also provide support for all cost driver used in the April 30, 2009 allocation (i.e. support from SkyWeb for total ASMs during the period and Conquest ASMs).

Expenses

- Vouch a sample of direct operating expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
  - Please see accounts highlighted in yellow on Conquest/Mothership Account details. For those accounts highlighted in yellow, please provide the general ledger detail. Once this has been provided we will select our sample. For the sample of items selected, please pull the supporting invoices and supporting documentation.
- Vouch the number of ASMs and flight hours for the period to the SkyWeb system.
  - Please provide support for these figures from the SkyWeb system (i.e. print screens).
- Vouch a sample of indirect operating expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the indirect operating expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method.
  - Please see accounts highlighted in yellow on Conquest/Mothership Account details. For those accounts highlighted in yellow, please provide the general ledger detail. Once this has been provided we will select our sample. For the sample of items selected, please pull the supporting invoices and supporting documentation.
  - Please provide detailed calculation and support for the method used to allocate indirect operating expenses to Conquest.
- Vouch a sample of aircraft rental expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
  - Please see accounts highlighted in yellow on Conquest/Mothership Account details. For those accounts highlighted in yellow, please provide the general ledger detail. Once this has been provided we will select our sample. For the sample of items selected, please pull the supporting invoices and supporting documentation.
- Vouch a sample of pilot salaries and expenses to payroll registers or other supporting documentation. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. KPMG will also document whether the expenses are directly related to Conquest.
  - Please see accounts highlighted in yellow on Conquest/Mothership Account details. For those accounts highlighted in yellow, please provide the general ledger detail. Once this has been provided we will select our sample. For the sample of items selected, please pull the supporting invoices and supporting documentation.
  - Please provide detailed calculation and support for the method used to allocate pilot's salaries and expenses to Conquest.
- Vouch a sample of administrative overhead expenses to supporting documentation and determine whether the expenses are recorded in the appropriate period. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the administrative overhead expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method.

- Please see accounts highlighted in yellow on Conquest/Mothership Account details. For those accounts highlighted in yellow, please provide the general ledger detail. Once this has been provided we will select our sample. For the sample of items selected, please pull the supporting invoices and supporting documentation.
- Please provide detailed calculation and support for the method used to allocate administrative overhead expenses to Conquest.

Liabilities and Accruals

- Obtain a reconciliation of the accounts payable sub-ledger to the general ledger as at April 30, 2009 and request and document support for any reconciling items greater than $5,000.
  i) Please provide a copy of the accounts payable subledger to general ledger reconciliation with copies of support for any reconciling items greater than $5,000. Note that this is the consolidated accounts payable subledger.
- Perform a search for unrecorded liabilities using a scope of $50,000.
  i) Please provide details of all cheques issued from May 1, 2009 to June 19, 2009. For all cheques issued which were greater than $50,000, please pull the supporting documentation and provide access to our audit team. Please ensure the support pulled is easily identified referenced to the cheque register. Please also provide a copy of the accounts payable subledger. Assistance will be required by your staff while completing our procedures in the field to determine when select items were recorded within the Company's financial records.
  ii) Please pull and provide access to all unpaid invoices greater than $50,000 as at June 19, 2009.
- Obtain schedules of accrued liabilities greater than $10,000 and document the accounting support of the balances through inquiry, vouching to supporting documentation and/or recalculation. Consider the following miscellaneous accruals (note this list may not be a complete listing):
  i) Fuel Accrual
     - Please provide copies of all invoices received as at June 22, 2009 which relate to the period ended April 30, 2009 for account 20130-CON.
  ii) Accrued wages
     - Please provide support for the accrued wages as at April 30, 2009 as well as the allocation calculation to the Conquest EBITDA. (salaries, benefits, commissions, etc.)
  iii) Accrued Direct Operating Costs
     - Please provide copies of all invoices received as at June 22, 2009 which relate to the period ended April 30, 2009 for accounts 20110-CON, 20127-CON, 20128-CON and 20403-CON.
  iv) Accrued Irregular Operations
     - Please provide copies of all invoices received as at June 22, 2009 which relate to the period ended April 30, 2009 for account 20105-CON.
  v) Maintenance Reserves
     - Please provide copies of all invoices received as at June 22, 2009 which relate to the

period ended April 30, 2009 for account 20141-CON.

- Inquire as to the existence of any contingent liabilities at April 30, 2009.

  - Please provide details on any other contingent liabilities which may exist at April 30, 2009.

Other

- Report on any amounts included within Conquest EBITDA in respect of Management Fees.
  - Appears to be $6,908. Are there any other Management fees charged?
- Recalculate Conquest EBITDA based on the schedules provided by Skyservice.
  - Please provide Skyservice's calculation of Conquest EBITDA in the format to be presented to the counterparty.

From: Silver, Lorne [lsilver@CasselsBrock.com]
Sent: Monday, June 22, 2009 10:48 AM
To: Jackie Smalec; Sabah Mirza
Cc: Wilder, Lawrence
Subject: Fw: Conquest EBITDA procedures

May I please have your instructions for the purpose of responding to Ms. Rosenthal.

Sent from my BlackBerry Wireless Handheld

From: Rosenthal, Julie
To: Silver, Lorne
Sent: Mon Jun 22 12:22:38 2009
Subject: RE: Conquest EBITDA procedures

Lorne,

We are still reviewing the draft engagement letter. I expect that there will be some substantive comments. I just wanted to confirm with you that no work will start until my client has signed off on the terms of engagement. (That is my understanding, but the draft letter seems to contemplate work starting today . . .)

Please let me know as soon as possible.

Thanks in advance,

Julie

From: Silver, Lorne [mailto:lsilver@CasselsBrock.com]
Sent: Thursday, June 18, 2009 3:06 PM
To: Rosenthal, Julie
Subject: Re: Conquest EBITDA procedures

Thanks. Please note that I am away from the office tomorrow

Sent from my BlackBerry Wireless Handheld

From: Rosenthal, Julie
To: Silver, Lorne
Sent: Thu Jun 18 14:56:20 2009
Subject: RE: Conquest EBITDA procedures

Lorne,

I will review with my client and get back to you.

Regards,

Julie

From: Silver, Lorne [mailto:lsilver@CasselsBrock.com]

Sent: Thursday, June 18, 2009 2:31 PM
To: Rosenthal, Julie
Subject: FW: Conquest EBITDA procedures

Julie,

Please review attached draft KPMG Engagement letter so that we may discuss further. Thanks.

Lorne S. Silver
Cassels Brock & Blackwell LLP
Barristers and Solicitors
Scotia Plaza, 21st floor
40 King Street West
Toronto, ON M5H 3C2
Direct Telephone: (416) 869-5490
Direct Fax No.: (416) 640-3018
Email Address: lsilver@casselsbrock.com

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From: Silver, Lorne [lsilver@CasselsBrock.com]
Sent: Friday, June 26, 2009 9:19 AM
To: Jackie Smalec; Sabah Mirza
Cc: Wilder, Lawrence
Subject: Fw: KPMG Mandate
Attachments: KPMG mandate EBITDA jun 23 09 p1.doc; KPMG mandate EBITDA jun 23 09 p2.doc; KPMG mandate EBITDA jun 23 09 p3.doc; KPMG mandate EBITDA jun 23 09 pA1(2).doc; KPMG mandate EBITDA jun 23 09 pA2.doc

I am in court so I have not had a chance to look at what Julie has sent. In the meantime, I forward them to you for your review and comments. I look forward to hearing from you. Thanks

---

Sent from my BlackBerry Wireless Handheld

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
North York, ON M2P 2H3

Telephone(416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

PRIVATE & CONFIDENTIAL
Ms. Jackie Smalec
Chief Financial Officer
Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

June 15, 2009

Dear Ms. Smalec:

Introduction

This letter confirms the terms of the engagement of KPMG LLP and its subsidiaries ("KPMG" or "we") by Skyservice Airlines Inc., ("Skyservice", "Client" or "you") to assist you in performing limited procedures in connection with Skyservice's calculation of the Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") derived from Skyservice's program with Conquest Vacation Company ~~from the period from November 1, 2008 to April 30, 2009~~ ("Conquest EBITDA"). The following sections describe the objective of our engagement, the nature of the services we will provide, and our professional arrangements.

Objective

Our objective is to assist you with your assessment of the Conquest EBITDA. In this regard and pursuant to your requests, we will make limited inquiries and perform procedures based on information made available to us. Our assistance will be directed towards those business activities and related financial data that you have identified as being of concern to you.

Transaction Services Procedures

The limited procedures we perform are modified to meet each client's informational requests. The procedures which are to be performed ~~in this~~ instance have been agreed in advance with you and are attached as Appendix A. Any agreed developments in the scope of our work as the engagement progresses will be reported in writing and will be subject to the terms of this letter unless otherwise agreed in writing.

and (ii) all Skyservice's operations for the period November 1, 2007 to April 30, 2008 ("Skyservice EBITDA").

by:

for the following periods: (i) Nov 1, 2007 to April 30, 2008 and (ii) May 1, 2008 to April 30, 2009

and the Skyservice EBITDA

(??)

Means ?

which are described on pages A-1 and A-2 (??)

→ and Skyservice Investments Inc. (Tim Caggiano) and Ron Patmore, in his capacity as Minority Shareholder representative of the former minority shareholders of Skyservice Business Inc. upon the amalgamation (collectively the "Former Shareholders")

Reporting

During the course of our work, we will keep you informed of our progress, significant issues we have identified and projected timelines to completion. Our report will only comment on salient findings resulting from the limited procedures performed. Our report will include a statement that the information presented is based on discussions with and information provided by Skyservice's management. We draw your attention to Section 35 of the attached Terms and Conditions which restricts the circulation of our report.

Our report will be prepared on the basis that you will provide us with all relevant information that you have received concerning Conquest EBITDA and Skyservice EBITDA. We have no obligation to update our report or to revise the information contained therein because of events and transactions occurring subsequent to the date of the report.

Engagement Team

Our engagement team will be led by the following:

- Engagement Partner: Tammy Brown
- Engagement Manager: Ashley George

Professional Fees

Our professional fees are based on the actual time required to complete the agreed upon work at standard hourly rates. Our current estimate for the engagement is $15,000. The work is scheduled to begin on June 22, 2009.

In addition, we will bill you for reasonable out-of-pocket expenses such as travel, meals, and accommodations. Administrative support will be billed at 5% of total standard fees incurred on the engagement. The fees quoted above exclude any meetings or additional procedures requested by Skyservice subsequent to the presentation of our report.

All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Skyservice without deduction from the fees and charges hereunder.

Additional costs may be required as a result of any material change in the engagement or difficulties in obtaining information which could not reasonably be foreseen and which cause additional work not included in the original estimate. We will discuss and obtain approval from you of any material changes in the engagement or difficulties in obtaining information prior to performing any additional work.

KPMG

Terms and Conditions

Our engagement is subject to the Terms and Conditions attached as Appendix B.

Debriefing

On completion of the engagement, as part of our commitment to the quality of our services, we would welcome the opportunity to receive your views on the work carried out by ourselves and the service delivered.

Confirmation

Please indicate your acceptance of these arrangements by signing and returning one copy of this letter to the undersigned at fax (416) 228-7123. We are pleased to discuss this letter and our engagement with you at any time. We look forward to working with you on this engagement.

Yours very truly,

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Tammy Brown
Partner
(416) 549-7857

We are in agreement with the foregoing:

SKYSERVICE AIRLINES INC.

By: _____

Name: _____

Title: _____

Date: _____

Skyservice Airlines Inc.

Conquest EBITDA Agreed Upon Procedures

Please note these procedures will cover the time period from November 1, 2008 to April 30, 2009 ("the period"). Materiality for the purpose of setting sample sizes for testing purposes has been calculated at 5% of Conquest revenues for the period.

represents what dollar amount?

Revenue

- Vouch all amounts recognized as revenue during the period to subsequent cash receipts.
- Report to Skyservice any amounts recognized in revenue during the period for which the cash has not been received to the date of completion of our fieldwork.
- Review credit memos issued between May 1, 2009 and June 5, 2009 to report whether any credit memos issued pertained to revenue recognized prior to April 30, 2009 and between May 1 2008 and October 31 2008 to report whether any credit memos issued pertain to revenue recognized prior to May 1, 2008
- Select the last 5 flights prior to May 1, 2009 and the first 5 flights after April 30, 2009 and agree to the invoice and journey log. Test whether the revenue and receivable was recorded in the correct period. Do the same test for period ended April 30, 2008.
- Document the revenue recognition policy used by the Company.
- Review payment deferrals of receivables due prior to May 1, 2009 to report whether any such payment deferrals pertained to revenue recognized prior to May 1, 2008 and do the same exercise with respect to revenue recognized prior to May 1, 2009.

granted after Apr 30, 2008

These payment deferrals must not be included in the previous periods.

Expenses

- Vouch a sample of direct operating expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch the number of ASMs and flight hours for the period to the SkyWeb system.
- Vouch a sample of indirect operating expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the indirect operating expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method, consistent with past practice.
- Vouch a sample of aircraft rental expenses incurred during the period to determine whether the expenses have been appropriately allocated. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch a sample of pilot salaries and expenses to payroll registers or other supporting documentation. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. KPMG will also document whether the expenses are directly related to Conquest.
- Vouch a sample of administrative overhead expenses to supporting documentation and determine whether the expenses are recorded in the appropriate period. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the administrative overhead expenses could pertain to more than one tour

are reasonable and consistent with past practice.

are reasonable and

consistent with past practice.

operator, KPMG will also inquire as to and recalculate the allocation method consistent with past practice.

Liabilities and Accruals

- Obtain a reconciliation of the accounts payable sub-ledger to the general ledger as at April ~~30, 2009~~ the end of each period and request and document support for any reconciling items greater than $5,000.
- Perform a search for unrecorded liabilities using a scope of $50,000.
- Obtain schedules of accrued liabilities greater than $10,000 and document the accounting support of the balances through inquiry, vouching to supporting documentation and/or recalculation. Consider the following miscellaneous accruals (note this list may not be a complete listing):
  - i) Fuel Accrual
  - ii) Accrued wages
  - iii) Accrued Direct Operating Costs
  - iv) Accrued Irregular Operations
  - v) Maintenance Reserves
- Inquire as to the existence of any contingent liabilities at ~~April 30, 2009~~ the end of each period.

Other

- Report on any amounts included within Conquest EBITDA in respect of Management Fees and Skyservice EBITDA.
- Recalculate Conquest EBITDA based on the schedules provided by Skyservice.

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
North York, ON M2P 2H3

Telephone(416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

PRIVATE & CONFIDENTIAL
Mr. Graham Bailey
Chief Financial Officer
Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

August 25, 2009

Dear Mr. Bailey

Introduction

This letter confirms the terms of the engagement of KPMG LLP and its subsidiaries ("KPMG" or "we") by Skyservice Airlines Inc., ("Skyservice", "Client" or "you") to assist you, by performing limited procedures, in connection with Skyservice's calculation of the Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") derived from a) Skyservice's program with Conquest Vacation Company for the following periods: (i) November 1, 2007 to April 30, 2008 and (ii) May 1, 2008 to April 30, 2009 ("Conquest EBITDA"); and b) all Skyservice's operations for the period November 1, 2007 to April 30, 2008 ("Skyservice EBITDA"). The following sections describe the objective of our engagement, the nature of the services we will provide, and our professional arrangements.

Objective

Our objective is to assist you with your assessment of the Conquest EBITDA and the Skyservice EBITDA. In this regard and pursuant to your requests, we will make limited inquiries and perform procedures based on information made available to us. Our assistance will be directed towards those business activities and related financial data which are described on pages A-1 and A-2.

Transaction Services Procedures

The limited procedures we perform are modified to meet each client's informational requests. The procedures which are to be performed in this instance have been agreed in advance with you and are attached as Appendix A. Any changes in the scope of our work as the engagement progresses will be reported in writing and will be subject to the terms of this letter unless otherwise agreed in writing.

KPMG

Reporting

During the course of our work, we will keep you informed, and copy Skyservice Investments Inc. (Tim Casgrain) and Ron Patmore, in his capacity as minority shareholder representative of the former minority shareholders of Skyservice Airlines Inc. before its amalgamation in 2007 (collectively the "Former Shareholders"), of any unresolved significant issues we have identified and outstanding significant issues with respect to projected timelines to completion. Our report will only comment on salient findings resulting from the limited procedures performed. Our report will include a statement that the information presented is based on discussions with and information provided by Skyservice's management. We draw your attention to Section 35 of the attached Terms and Conditions which restricts the circulation of our report.

Our report will be prepared on the basis that you will provide us with all relevant information that you have received concerning Conquest EBITDA and Skyservice EBITDA. We have no obligation to update our report or to revise the information contained therein because of events and transactions occurring subsequent to the date of the report.

Engagement Team

Our engagement team will be led by the following:

- Engagement Partner: Tammy Brown
- Engagement Manager: Ashley George

Professional Fees

Our professional fees are based on the actual time required to complete the agreed upon work at standard hourly rates. Our current estimate for the engagement is $30,000. The work is scheduled to begin on August 25, 2009.

In addition, we will bill you for reasonable out-of-pocket expenses such as travel, meals, and accommodations. Administrative support will be billed at 5% of total standard fees incurred on the engagement. The fees quoted above exclude any meetings or additional procedures requested by Skyservice subsequent to the presentation of our report.

All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Skyservice without deduction from the fees and charges hereunder.

Additional costs may be required as a result of any material change in the engagement or difficulties in obtaining information which could not reasonably be foreseen and which cause additional work not included in the original estimate. We will discuss and obtain approval from

KPMG

you of any material changes in the engagement or difficulties in obtaining information prior to performing any additional work.

Terms and Conditions

Our engagement is subject to the Terms and Conditions attached as Appendix B.

Debriefing

On completion of the engagement, as part of our commitment to the quality of our services, we would welcome the opportunity to receive your views on the work carried out by ourselves and the service delivered.

Confirmation

Please indicate your acceptance of these arrangements by signing and returning one copy of this letter to the undersigned at fax (416) 228-7123. We are pleased to discuss this letter and our engagement with you at any time. We look forward to working with you on this engagement.

Yours very truly,

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Tammy Brown
Partner
(416) 549-7857

We are in agreement with the foregoing:

SKYSERVICE AIRLINES INC.

By: _____

Name: _____

Title: _____

Date: _____

Skyservice Airlines Inc.

Conquest EBITDA Agreed Upon Procedures

Please note these procedures will cover the time period for the following periods: (i) November 1, 2007 to April 30, 2008 and (ii) May 1, 2008 to April 30, 2009 ("the periods"). Materiality for the purpose of setting sample sizes for testing purposes has been calculated at 5% of Conquest revenues for the period, being $1,253K for the period from November 1, 2007 to April 30, 2008 and $839K for the period from May 1, 2008 to April 30, 2009.

Revenue

- Vouch the amount recognized as Charter revenue based on a reconciliation prepared by management, detailing all billings issued to Conquest during the periods under inspection to subsequent cash receipts.
- Vouch all other revenue amounts recognized as revenue during the periods to schedules prepared by management and supporting documentation provided by management.
- Report to Skyservice any amounts recognized in revenue during the periods for which the cash has not been received to the date of completion of our fieldwork and report on any balances for which an allowance has been established.
- Review credit memos issued between May 1, 2009 and July 31, 2009 to report whether any credit memos issued pertained to revenue recognized prior to April 30, 2009. Review credit memos issued between May 1, 2008 and October 31, 2008 to report whether any credit memos issued pertain to revenue recognized prior to May 1, 2008.
- Select the last 5 flights prior to May 1, 2009 and the first 5 flights after April 30, 2009 and agree to the invoice and journey log. Test whether the revenue and receivable were recorded in the correct period. Select the last 5 flights prior to May 1, 2008 and the first 5 flights after April 30, 2008 and agree to the invoice and journey log. Test whether the revenue and receivable were recorded in the correct period.
- Document the revenue recognition policy used by the Company.
- Inquire as to whether there were any payment deferrals of receivables due prior to May 1, 2008 granted after April 30, 2008 to report whether any such payment deferrals pertained to revenue recognized prior to May 1, 2008. Complete the same inquiries with respect to revenue recognized prior to May 1, 2009. KPMG will report whether the payment deferrals, if any, were included in the previous period's revenue.

Expenses

- Vouch a sample of direct operating expenses incurred during the periods to determine whether the expenses have been appropriately allocated consistent with past practice. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch the number of ASMs and flight hours for the periods to the SkyWeb system.

- Vouch a sample of indirect operating expenses incurred during the periods to determine whether the expenses have been appropriately allocated consistent with past practice. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the indirect operating expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method, consistent with past practice.
- Vouch a sample of aircraft rental expenses incurred during the periods to determine whether the expenses have been appropriately allocated, consistent with past practice. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch a sample of pilot salaries and expenses to payroll registers or other supporting documentation. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. KPMG will also document whether the expenses are directly related to Conquest.
- Vouch a sample of administrative overhead expenses to supporting documentation and determine whether the expenses are recorded in the appropriate period. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the administrative overhead expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method, consistent with past practice.

Liabilities and Accruals

- Obtain a reconciliation of the accounts payable sub-ledger to the general ledger as at the end of each period and request and document support for any reconciling items greater than $5,000.
- Perform a search for unrecorded liabilities using a scope of $50,000.
- Obtain schedules of accrued liabilities greater than $10,000 and document the accounting support of the balances through inquiry, vouching to supporting documentation and/or recalculation. Consider the following miscellaneous accruals (note this list may not be a complete listing):

  i) Fuel Accrual

  ii) Accrued Direct Operating Costs

  iii) Accrued Irregular Operations

  iv) Maintenance Reserves

- Inquire as to the existence of any contingent liabilities at the end of each period.

Other

- Report on any amounts included within Conquest EBITDA in respect of Management Fees.
- Recalculate Conquest EBITDA based on the schedules provided by Skyservice calculated in a manner consistent with past practice.

Skyservice EBITDA Agreed Upon Procedures

These procedures will cover the time period from November 1, 2007 to April 30, 2008. We understand through discussion with Management that approximately 82% of the Skyservice EBITDA is derived from Thomas Cook Vacations, Signature Vacations, Conquest Vacations and UK Airlines. The specified procedures surrounding the Conquest Vacations EBITDA are addressed in A-1 and A-2. Therefore, these procedures relate to and will be applied to the balance of activity.

This portion of the EBITDA will be calculated by Management using: a) the number of tails for the period multiplied by the contracted tail fees for the period; b) ad hoc and in-flight revenue multiplied by contracted commission rate; c) fixed overhead allocation; and d) amortization amount recovered from Tour Operators. KPMG will recalculate the EBITDA, vouch tail fees to the corresponding contracts, and agree other components to supporting schedules provided by management.

It is our understanding through discussion with Management that the balance of the EBITDA (18%) primarily consists of interest income and Third Party Maintenance, with miscellaneous amounts from SkyBus, MYH, and LTU, and remaining amounts for ITD, ASR, AIF revenue, corporate admin and legal expense, etc. (totaling a loss of $139,664 versus budgeted profit of $83,821).

Third Party Maintenance

- Select the first five third party maintenance invoices recorded subsequent to April 30, 2008 and the last five third party maintenance invoices recorded prior to April 30, 2008 and vouch to the underlying third party invoice to determine whether the revenue recognized is recorded in the appropriate period.

Interest Income

Vouch interest income recognized during the period to bank and investment statements.

Other

- Report on any amounts included within Skyservice EBITDA in respect of Management Fees.
- Recalculate Skyservice EBITDA based on the schedules provided by Skyservice calculated in a manner consistent with past practice.

1. TERMS AND CONDITIONS.

a. The Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.
b. In the event of conflict between the Proposal or Engagement Letter and the Terms and Conditions, the Terms and Conditions shall prevail unless specific reference to a provision is made in the Proposal or Engagement Letter. Other capitalized words in the Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in the Terms and Conditions shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

3. CLIENT RESPONSIBILITIES.

a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information to the extent necessary for KPMG to perform the services under the Engagement Letter. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.
b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.
c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.
d. Client acknowledges that information made available by it, or by the others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provisions of the services shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

4. REPORTING.

a. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned.
b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions.

5. WORKING PAPERS AND USE OF REPORTS.

KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are intended solely for Client's internal use and, where applicable, government taxation authorities, and may not be edited, distributed, published, made available or relied upon by any other person without KPMG's express written permission. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.

6. CONFIDENTIALITY.

a. Except as described in section 5 above, Client will treat in confidence any KPMG methodologies, know-how, knowledge, application or software identified by KPMG as confidential information of KPMG, and will not use or disclose such confidential information of KPMG to others.
b. KPMG will treat as confidential all proprietary information obtained from Client in the course of the engagement and, except as described in this section, KPMG will only use such information in connection with the performance of its services.
c. The above restrictions shall not apply to any confidential information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by Client or KPMG, as the case may be.
d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.
e. KPMG shall be entitled to share all Client confidential information with all other member firms of KPMG International performing services hereunder. KPMG may also use confidential information to offer services that may be of interest to Client. KPMG may retain

and may disclose to other member firms of KPMG International, subject to terms of this section, copies of Client's confidential information required for compliance with applicable professional standards or internal policies or quality reviews.

f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

7. PERSONAL INFORMATION.

KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement. KPMG will only collect, use or disclose such personal information in accordance with the KPMG Privacy Policy, a copy of which will be provided on request.

8. INFORMATION PROCESSING OUTSIDE OF CANADA.

In some circumstances, personal and/or confidential information collected by KPMG during the course of this engagement may be processed and stored outside of Canada by KPMG or a third party processor, and such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored. These laws may not provide the same level of protection for such information as will Canadian laws.

9. CONSENTS AND NOTICES.

Client represents and warrants that: (i) it will obtain all consents required by law to permit KPMG to collect, use and disclose all personal information that may reasonably be required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in paragraph 8 above) to all individuals whose personal information is disclosed to KPMG.

10. TAXES/BILLING/EXPENSES/FEES.

a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.

b. Bills, including, without limitation, a charge on account of all reasonable expenses, including travel, meals, accommodations, long distance, telecommunications, photocopying, delivery, postage, clerical assistance and database research will be rendered on a regular basis as the engagement progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.

c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.

d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

11. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

12. LIMITATION ON LIABILITY.

a. Client agrees that KPMG shall not be liable to Client for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement. On a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. In the event of a claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Client will indemnify KPMG from all such claims, liabilities, damages, costs and expenses, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. In no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). In any action, claim, loss or damages arising out of the engagement, Client agrees that KPMG's liability will be several and not joint and several. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this section, the term KPMG shall include its associated and affiliated entities and their respective partners, directors, officers and employees. The provisions of this section shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

13. LEGAL PROCEEDINGS.

a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's advice or report or any related document.

b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process or requested by Client to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, incurred in responding to such requests.

c. When requested or required by law, subpoena or other legal process or otherwise, that KPMG provide information and documents relating to Client's affairs, KPMG will use all reasonable efforts to refuse to provide information and documents over which Client asserts legal privilege or which has been acquired or produced in the context of the engagement of legal counsel by or on behalf of Client, except where providing such copies, access or information is required by law, by a provincial Institute/Ordre pursuant to its statutory authority, or a public oversight board in respect of reporting issuers (both in Canada and abroad) pursuant to its contractual or statutory authority. Where Client provides any document to KPMG in respect of which Client wishes to assert legal

privilege, Client shall clearly mark such document "privileged" and shall otherwise clearly advise KPMG that Client wishes to maintain legal privilege in respect thereof.

14. LIMITATION PERIOD.

No action, regardless of form, arising under or relating to the engagement, may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement in the case of an advisory services engagement and not more than eight years after completion of the engagement in the case of a tax services engagement, except that an action for non-payment may be brought by a party not later than one year following the date of the last payment due to such party hereunder. For purposes of this section, the term KPMG shall include its associated and affiliated entities and their respective partners, directors, officers and employees.

15. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

16. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of risk associated with its use.

17. POTENTIAL CONFLICTS OF INTEREST.

Except as otherwise set out herein, Client should be aware that it is not uncommon for KPMG to be auditors and/or advisors of more than one of the parties involved in a transaction. In such situations, KPMG takes appropriate measures to ensure that strict confidentiality is maintained in all respects. If these circumstances are identified, KPMG will advise Client of that fact, subject to confidentiality requirements, and will consider with Client what further measures, if any, are appropriate. Client further acknowledges that at some point KPMG may act contrary to Client's interest on unrelated matters.

18. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

19. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

20. SURVIVAL.

Sections 1 to 17 and 20, 21, 25, 26 and 30 hereof shall survive the expiration or termination of the engagement.

21. SUCCESSORS AND ASSIGNS.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may engage independent contractors and member firms of KPMG International to assist KPMG in performing the services hereunder.

22. SEVERABILITY.

The provisions of the Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of the Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

23. ENTIRE AGREEMENT.

The Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

24. GOVERNING LAW.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province in which KPMG's principal office performing the engagement is located (without regard to such province's rules on conflicts of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province.

25. [INTENTIONALLY DELETED]

26. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all member firms of KPMG International performing services hereunder shall be entitled to the benefits of the Terms and Conditions. Client agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party and not against any other KPMG International member firms.

27. [INTENTIONALLY DELETED]

28. [INTENTIONALLY DELETED]

29. SPECIFIC ACCOUNTING ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

30. [INTENTIONALLY DELETED]

31. LLP.

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the various Institutes/Ordre of Chartered Accountants. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

32. PROCEDURES.

The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Skyservice or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. Our findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting our findings, KPMG will rely exclusively upon information provided to KPMG by Skyservice, its personnel and advisors and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG's procedures with respect to Skyservice's financial information will be substantially less in scope than an audit or review engagement conducted in accordance with Canadian generally accepted auditing or review standards. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Skyservice's financial statements or Skyservice's internal control over financial reporting.

33. REPORTING.

All oral and written communications by KPMG to Client with respect to the engagement, including drafts and those communications occurring prior to the execution of the Engagement Letter will be subject to the terms and conditions of the Engagement Letter and these Additional Terms and Conditions. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like us to perform or areas to address.

34. PROJECTIONS.

In the event we perform procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

35. DISTRIBUTION OF REPORT.

a. KPMG's report is confidential and intended solely for the use of the management of Client to assist with this specific matter and is not for general use, circulation or publication. KPMG's report is not to be referred to, published, circulated, reproduced or used for any other purpose, nor may our name be quoted or our logo reproduced in any form or medium, without our prior written permission in each specific instance, such prior written permission may be unreasonably withheld by KPMG. The content of this paragraph will be reproduced in the report. This section 4 .a. shall not apply if Client is a KPMG SEC registered audit client or affiliate and where tax services are contemplated hereunder.

b. In certain instances, Client may request that our report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.

36. CONSENT TO ACT FOR OTHER CURRENT OR POTENTIAL BIDDER(S).

a. Notwithstanding those provisions set out in section 15 of the accompanying Terms and Conditions for Advisory and Tax Services regarding potential conflicts of interest, specifically, KPMG may currently or potentially be engaged by another party or parties (each a "Current or Potential Bidder") in connection with the transaction involving Target (as such term is defined in the Engagement Letter) that is the same subject of this Engagement Letter, including, without limitation, engagement by KPMG to assist such Current or Potential Bidder(s) with its due diligence investigation of the affairs of Target. In the case of such engagement of KPMG by Current or Potential Bidder(s), Client hereby consents to KPMG being engaged by Current or Potential Bidder(s) and hereby waives any current or potential conflict of interest. Client accepts and agrees that KPMG will not inform Client if another KPMG team is engaged by any Current or Potential Bidder(s). Client also agrees to indemnify and hold harmless KPMG, its

subsidiaries, associates and affiliates and their respective partners, directors, officers and employees from any demand, complaint, action, suit, proceeding or claim by any other third party that alleges that KPMG was in a conflict of interest by providing services to both Client and Current or Potential Bidder(s) during or prior to providing services to Client.

37. SURVIVAL.

Sections 35, 36 and 37 shall survive the expiry or termination of the engagement.

October 15, 2009

BY EMAIL

Graham Bailey
CFO
Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

Re: EBITDA Contributions by Conquest and by All Operations
Section 2.11(e)(viii) of the Arrangement Agreement

Graham,

As I have previously explained to you, there is a clear process dictated by the Arrangement Agreement for determination of EBITDA for the Conquest Additional Holdback. I have referred you more than once to the applicable section 2.11(e)(viii) of the Arrangement Agreement. You have ignored my request to start the process and, again this morning, tried to impose a process of your own devising.

There is no point in discussing matters further with you until you agree to comply with the terms of the Arrangement Agreement and the process for determination of EBITDA set out therein, namely to meet with representatives of the former shareholders and to agree to act reasonably to determine together the applicable EBITDA.

When you are prepared to respect the duly agreed to process, kindly confirm this to me and propose three dates when you will be available to have an initial meeting to review with representatives of the former shareholders your internally generated financial statements together with all necessary back up for joint determination of the applicable EBITDA numbers.

Yours truly,

Catherine Duff-Caron
Secretary
Skyservice Investments Inc.
514.240.7515
catherine_duff-caron@skyservicebus.com

Skyservice airlines

October 16, 2009

VIA EMAIL

Catherine Duff-Caron
Secretary
SKYSERVICE INVESTMENTS INC.
9785 Ryan Avenue
Dorval, QC

Dear Catherine:

Re: EBITDA Contributions by Conquest under Section 2.11(e)(viii)(I)

I acknowledge receipt of and thank you for your letter dated October 15, 2009 regarding the above-captioned matter.

As I have indicated to you in our recent telephone conversation, it has been and continues to be Skyservice Airlines' intent to comply with Section 2.11(e)(viii)(I) of the Arrangement Agreement, specifically with regard to the process set out therein for determining the applicable EBITDA on the basis of internally generated financial statements. While we may have a different interpretation of the subject provision, this does not make your interpretation correct or lead to a conclusion that we are not complying with the terms of the Arrangement Agreement, a suggestion that we expressly deny.

In our view, acting reasonably, it is appropriate that once the shareholder representatives have signed the release letters required by KPMG, we will deliver to the shareholder representatives the report prepared by KPMG and accompanying internally generated financial statements. As you know, the indemnity provisions contained in the release letters have been removed at your request and we now understand the letters to be in a form acceptable to the shareholder representatives.

Following delivery of the KPMG report and accompanying internally generated financial statements as aforesaid, we would be pleased to meet either in person or via telephone conference with the shareholder representatives to consider any comments or concerns with respect to the KPMG report, the financial statements or the EBITDA determinations flowing therefrom.

I look forward to your response at your earliest convenience.

Yours truly,

for:

Graham Bailey
Chief Financial Officer
Skyservice Airlines Inc.

SKYSERVICE INVESTMENTS INC.

October 21, 2009

BY EMAIL

Graham Bailey
CFO
Skyservice Airlines Inc.
31 Fasken Drive
Etobicoke, ON M9W 1K6

Re: EBITDA Contributions by Conquest and by All Operations
Section 2.11(e)(viii) of the Arrangement Agreement

Dear Graham,

I note from your letter of October 16th that you continue to ignore a fundamental element of Section 2.11(e)(viii) of the Arrangement Agreement, namely that the determination of the applicable EBITDA is to be made by the parties, not just Skyservice Airlines Inc. Your agreement to meet with shareholder representatives "to consider any comments or concerns with respect to the KPMG report" does not meet the requirement that the "parties agree, acting reasonably, to determine the applicable EBITDA" unless what you mean by those words is that there will be a reciprocal exchange of comments and concerns and a joint agreement as to a mutually acceptable resolution of those comments and concerns which will result in the final determination by the parties of the applicable EBITDA acceptable to all parties.

I would also like to clarify a misconception on your part. The KPMG letter, as modified by KPMG, is not acceptable to the Principal Shareholder. I never restricted my comments on the unacceptability of the KPMG letter to the existence of an indemnity clause. I clearly stated to you that the shareholders were not prepared to sign the letters requested by KPMG. This continues to be the case for both the Principal Shareholder and, as confirmed to me by the Minority Shareholder Representative, the Minority Shareholders.

I forwarded a copy of your letter of October 16th to the Minority Shareholder Representative who, on behalf of the Minority Shareholders, has confirmed to me that they insist on being involved in the determination of the applicable EBITDA amounts as explained above and as dictated by the Arrangement Agreement.

Yours truly,

Catherine Duff-Caron
Secretary
Skyservice Investments Inc.

LEGACY
PRIVATE TRUST

November 12, 2009

VIA FAX: 416-979-1234

John Keefe
Goodmans Barristers & Solicitors
250 Yonge Street, Suite 2400
Toronto, ON M5B 2M6

Dear Mr. Keefe:

Re: Escrow Agreement dated October 19, 2007

We are in receipt of your letter dated October 27, 2009.

As Escrow Agent, we rely on section 16 of the Escrow Agreement to direct us regarding the remaining amount of the Additional Holdback amount.

In accordance with section 16 of the Escrow Agreement, we confirm that we will not release any of the Additional Holdback amount until directed to do so in writing by the Principal Shareholder, the Minority Shareholder Representative and Amalco or by a Court order or judgment.

Yours truly,

MLaycock

Megan Laycock
Trust Associate
Direct Line 416-868-4284
email: mll@legacyprivatetrust.com

C.C. Robert Cohen, Cassels Brock LLP (416-360-8877)

From: Hall, Geoff R.
Sent: Monday, January, 24, 2011 10:53 AM
To: Rosenthal, Julie
Subject: Skyservice - documentation needed by KPMG for issuance of report
Attachments: EBITDA_Engagement_Letter_Dec 13.pdf; Ron Patmore (2) - RELEASE LETTER TO BE SIGNED BY THIRD PARTY PRIOR TO DISTRIBUTION OF REPORT.docx; Ron Patmore (2) - RELEASE LETTER TO BE SIGNED BY CLIENT PRIOR TO DISTRIBUTION OF REPORT.docx; Tim Casgrain(2) - RELEASE LETTER TO BE SIGNED BY CLIENT PRIOR TO DISTRIBUTION OF REPORT.docx; Tim Casgrain (2) - RELEASE LETTER TO BE SIGNED BY THIRD PARTY PRIOR TO DISTRIBUTION OF REPORT.doc

The Receiver has had some discussions with KPMG about the release of its report on the EBITDA issue, which we obviously need to advance matters on that issue.

The Receiver and KPMG have settled on the form of an engagement letter, which KPMG has executed. It is attached (the PDF document).

However, for the report to be made available to your clients, KPMG is requiring "release letters" to be signed by the Receiver and your clients. Obviously the whole point of the report is to be reviewed by both the Receiver and your clients, so we need to get KPMG to allow your clients to see the report.

The release letters are attached. The version to be executed by the Receiver is acceptable to the Receiver. Please advise whether the version to be executed by your clients is acceptable to them.

Many thanks.

mccarthy tétrault

Geoff R. Hall
Litigation/Litige
T: 416-601-7856
C: 416-315-6423

McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

PRIVATE & CONFIDENTIAL
Skyservice Airlines Inc.
Acting by its Receiver,
FTI Consulting Canada Inc.
in its capacity as receiver of
and not in its personal or corporate capacity
900 West Hastings Street, Suite 500
Vancouver BC V6C 1E5

December 13, 2010

Dear Mr. Engen

Introduction

Prior to the appointment of FTI Consulting Canada Inc. as Receiver (the "Receiver") of Skyservice Airlines Inc. ("Skyservice", "Client" or "you") KPMG LLP and its subsidiaries ("KPMG" or "we") performed limited procedures as set out in Appendix A hereto,in connection with Skyservice's calculation of the Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") derived from a) Skyservice's program with Conquest Vacation Company for the following periods: (i) November 1, 2007 to April 30, 2008 and (ii) May 1, 2008 to April 30, 2009 ("Conquest EBITDA"); and b) all Skyservice's operations for the period November 1, 2007 to April 30, 2008 ("Skyservice EBITDA"). The following sections describe the objective of our engagement, the nature of the services we will provide, and our professional arrangements.

Objective

Our objective is to assist you with your assessment of the Conquest EBITDA and the Skyservice EBITDA. In this regard and pursuant to your requests, we will make limited inquiries and perform procedures based on information made available to us. Our assistance will be directed towards those business activities and related financial data which are described on pages A-1 and A-2.

Transaction Services Procedures

The limited procedures we perform are modified to meet each client's informational requests. The procedures which were performed in this instance were agreed in advance with Skyservice and are attached as Appendix A. Any changes in the scope of our work as the engagement progresses will be reported in writing and will be subject to the terms of this letter unless otherwise agreed in writing.

Reporting

During the course of our work, we will keep you informedof any unresolved significant issues we have identified and outstanding significant issues with respect to projected timelines to completion. Our report will only comment on salient findings resulting from the limited procedures performed. Our report will include a statement that the information presented is based on discussions with and information provided by Skyservice's management. We draw your attention to Section 35 of the attached Terms and Conditions which restricts the circulation of our report.

The report will be prepared with regard to all relevant information that has been or may be provided by you concerning Conquest EBITDA and Skyservice EBITDA. We have no obligation to update the report or to revise the information contained therein because of events and transactions occurring subsequent to the date of the the draft report previously provided.

Engagement Team

Our engagement team will be led by the following:

- Engagement Partner: Tammy Brown
- Engagement Manager: Ashley George

Professional Fees

Our professional fees are based on the actual time required to complete the agreed upon work at standard hourly rates. Our current estimate for the delivery of the final report is $5,000 to $10,000 (note that fees of $30,000 have been received for the performance of the procedures and findings draft report to date).

In addition, we will bill you for reasonable out-of-pocket expenses such as travel, meals, and accommodations. Administrative support will be billed at 5% of total standard fees incurred on the engagement. The fees quoted above exclude any meetings or additional procedures requested by Skyservice subsequent to the presentation of our report.

All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Skyservice without deduction from the fees and charges hereunder.

Additional costs may be required as a result of any material change in the engagement or difficulties in obtaining information which could not reasonably be foreseen and which cause additional work not included in the original estimate. We will discuss and obtain approval from you of any material changes in the engagement or difficulties in obtaining information prior to performing any additional work.

KPMG

Terms and Conditions

Our engagement is subject to the Terms and Conditions attached as Appendix B.

Debriefing

On completion of the engagement, as part of our commitment to the quality of our services, we would welcome the opportunity to receive your views on the work carried out by ourselves and the service delivered.

Confirmation

Please indicate your acceptance of these arrangements by signing and returning one copy of this letter to the undersigned at fax (416) 777-8818. We are pleased to discuss this letter and our engagement with you at any time. We look forward to working with you on this engagement.

Yours very truly,

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Tammy Brown
Partner
(416) 777-8344

We are in agreement with the foregoing:

FTI CONSULTING CANADA INC.

By: _____
Mr. Jamie T. Engen, Managing Director

Date: _____

KPMG

Skyservice Airlines Inc.

Conquest EBITDA Agreed Upon Procedures

Please note these procedures cover the time period for the following periods: (i) November 1, 2007 to April 30, 2008 and (ii) May 1, 2008 to April 30, 2009 ("the periods"). Materiality for the purpose of setting sample sizes for testing purposes has been calculated at 5% of Conquest revenues for the period, being $1,253K for the period from November 1, 2007 to April 30, 2008 and $839K for the period from May 1, 2008 to April 30, 2009.

Revenue

- Vouch the amount recognized as Charter revenue based on a reconciliation prepared by management, detailing all billings issued to Conquest during the periods under inspection to subsequent cash receipts.
- Vouch all other revenue amounts recognized as revenue during the periods to schedules prepared by management and supporting documentation provided by management.
- Report to Skyservice any amounts recognized in revenue during the periods for which the cash has not been received to the date of completion of our fieldwork and report on any balances for which an allowance has been established.
- Review credit memos issued between May 1, 2009 and July 31, 2009 to report whether any credit memos issued pertained to revenue recognized prior to April 30, 2009. Review credit memos issued between May 1, 2008 and October 31, 2008 to report whether any credit memos issued pertain to revenue recognized prior to May 1, 2008.
- Select the last 5 flights prior to May 1, 2009 and the first 5 flights after April 30, 2009 and agree to the invoice and journey log. Test whether the revenue and receivable were recorded in the correct period. Select the last 5 flights prior to May 1, 2008 and the first 5 flights after April 30, 2008 and agree to the invoice and journey log. Test whether the revenue and receivable were recorded in the correct period.
- Document the revenue recognition policy used by the Company.
- Inquire as to whether there were any payment deferrals of receivables due prior to May 1, 2008 granted after April 30, 2008 to report whether any such payment deferrals pertained to revenue recognized prior to May 1, 2008. Complete the same inquiries with respect to revenue recognized prior to May 1, 2009. KPMG will report whether the payment deferrals, if any, were included in the previous period's revenue.

Expenses

- Vouch a sample of direct operating expenses incurred during the periods to determine whether the expenses have been appropriately allocated consistent with past practice. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch the number of ASMs and flight hours for the periods to the SkyWeb system.
- Vouch a sample of indirect operating expenses incurred during the periods to determine whether the expenses have been appropriately allocated consistent with past practice. The

sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the indirect operating expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method, consistent with past practice.

- Vouch a sample of aircraft rental expenses incurred during the periods to determine whether the expenses have been appropriately allocated, consistent with past practice. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool.
- Vouch a sample of pilot salaries and expenses to payroll registers or other supporting documentation. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. KPMG will also document whether the expenses are directly related to Conquest.
- Vouch a sample of administrative overhead expenses to supporting documentation and determine whether the expenses are recorded in the appropriate period. The sample size will be determined based on the calculation of materiality identified above using the KPMG Sampling Tool. As the administrative overhead expenses could pertain to more than one tour operator, KPMG will also inquire as to and recalculate the allocation method, consistent with past practice.

Liabilities and Accruals

- Obtain a reconciliation of the accounts payable sub-ledger to the general ledger as at the end of each period and request and document support for any reconciling items greater than $5,000.
- Perform a search for unrecorded liabilities using a scope of $50,000.
- Obtain schedules of accrued liabilities greater than $10,000 and document the accounting support of the balances through inquiry, vouching to supporting documentation and/or recalculation. Consider the following miscellaneous accruals (note this list may not be a complete listing):
  - i) Fuel Accrual
  - ii) Accrued Direct Operating Costs
  - iii) Accrued Irregular Operations
  - iv) Maintenance Reserves
- Inquire as to the existence of any contingent liabilities at the end of each period.

Other

- Report on any amounts included within Conquest EBITDA in respect of Management Fees.
- Recalculate Conquest EBITDA based on the schedules provided by Skyservice calculated in a manner consistent with past practice.

Skyservice EBITDA Agreed Upon Procedures

These procedures cover the time period from November 1, 2007 to April 30, 2008. We understand through discussion with Management that approximately 82% of the Skyservice EBITDA is derived from Thomas Cook Vacations, Signature Vacations, Conquest Vacations and UK Airlines. The specified procedures surrounding the Conquest Vacations EBITDA are addressed in A-1 and A-2. Therefore, these procedures relate to and will be applied to the balance of activity.

This portion of the EBITDA will be calculated by Management using: a) the number of tails for the period multiplied by the contracted tail fees for the period; b) ad hoc and in-flight revenue multiplied by contracted commission rate; c) fixed overhead allocation; and d) amortization amount recovered from Tour Operators. KPMG will recalculate the EBITDA, vouch tail fees to the corresponding contracts, and agree other components to supporting schedules provided by management.

It is our understanding through discussion with Management that the balance of the EBITDA (18%) primarily consists of interest income and Third Party Maintenance, with miscellaneous amounts from SkyBus, MYH, and LTU, and remaining amounts for ITD, ASR, AIF revenue, corporate admin and legal expense, etc. (totaling a loss of $139,664 versus budgeted profit of $83,821).

Third Party Maintenance

- Select the first five third party maintenance invoices recorded subsequent to April 30, 2008 and the last five third party maintenance invoices recorded prior to April 30, 2008 and vouch to the underlying third party invoice to determine whether the revenue recognized is recorded in the appropriate period.

Interest Income

Vouch interest income recognized during the period to bank and investment statements.

Other

- Report on any amounts included within Skyservice EBITDA in respect of Management Fees.
- Recalculate Skyservice EBITDA based on the schedules provided by Skyservice calculated in a manner consistent with past practice.

KPMG

1. TERMS AND CONDITIONS.

a. The Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.
b. In the event of conflict between the Proposal or Engagement Letter and the Terms and Conditions, the Terms and Conditions shall prevail unless specific reference to a provision is made in the Proposal or Engagement Letter. Other capitalized words in the Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in the Terms and Conditions shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

3. CLIENT RESPONSIBILITIES.

a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and provided KPMG with timely access to and use of the personnel, facilities, equipment, data and information to the extent necessary for KPMG to perform the services under the Engagement Letter. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.
b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.
c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.
d. Client acknowledges that information made available by it, or by the others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provisions of the services shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if it becomes aware of anything that occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

4. REPORTING.

a. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned.
b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions.

5. WORKING PAPERS AND USE OF REPORTS.

KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are intended solely for Client's internal use and, where applicable, government taxation authorities, and may not be edited, distributed, published, made available or relied upon by any other person without KPMG's express written permission. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.

6. CONFIDENTIALITY.

a. Except as described in section 5 above, Client will treat in confidence any KPMG methodologies, know-how, knowledge, application or software identified by KPMG as confidential information of KPMG, and will not use or disclose such confidential information of KPMG to others.
b. KPMG will treat as confidential all proprietary information obtained from Client in the course of the engagement and, except as described in this section, KPMG will only use such information in connection with the performance of its services.
c. The above restrictions shall not apply to any confidential information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by Client or KPMG, as the case may be.
d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.

e. KPMG shall be entitled to share all Client confidential information with all other member firms of KPMG International performing services hereunder. KPMG may also use confidential information to offer services that may be of interest to Client. KPMG may retain and may disclose to other member firms of KPMG International, subject to terms of this section, copies of Client's confidential information required for compliance with applicable professional standards or internal policies or quality reviews.
f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

7. PERSONAL INFORMATION.

KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement. KPMG will only collect, use or disclose such personal information in accordance with the KPMG Privacy Policy, a copy of which will be provided on request.

8. INFORMATION PROCESSING OUTSIDE OF CANADA.

In some circumstances, personal and/or confidential information collected by KPMG during the course of this engagement may be processed and stored outside of Canada by KPMG or a third party processor, and such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored. These laws may not provide the same level of protection for such information as will Canadian laws.

9. CONSENTS AND NOTICES.

Client represents and warrants that: (i) it will obtain all consents required by law to permit KPMG to collect, use and disclose all personal information that may reasonably be required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in paragraph 8 above) to all individuals whose personal information is disclosed to KPMG.

10. TAXES/BILLING/EXPENSES/FEES.

a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.
b. Bills, including, without limitation, a charge on account of all reasonable expenses, including travel, meals, accommodations, long distance, telecommunications, photocopying, delivery, postage, clerical assistance and database research will be rendered on a regular basis as the engagement progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.
c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.
d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

11. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

12. LIMITATION ON LIABILITY.

a. Client agrees that KPMG shall not be liable to Client for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement. On a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.
b. In the event of a claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Client will indemnify KPMG from all such claims, liabilities, damages, costs and expenses, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.
c. In no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). In any action, claim, loss or damages arising out of the engagement, Client agrees that KPMG's liability will be several and not joint and several. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.
d. For purposes of this section, the term KPMG shall include its associated and affiliated entities and their respective partners, directors, officers and employees. The provisions of this section shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

13. LEGAL PROCEEDINGS.

a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's advice or report or any related document.
b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process or requested by Client to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, incurred in responding to such requests.
c. When requested or required by law, subpoena or other legal process or otherwise, that KPMG provide information and documents relating to Client's affairs, KPMG will use all reasonable efforts to refuse to provide information and documents over which

KPMG

Client asserts legal privilege or which has been acquired or produced in the context of the engagement of legal counsel by or on behalf of Client, except where providing such copies, access or information is required by law, by a provincial Institute/Ordre pursuant to its statutory authority, or a public oversight board in respect of reporting issuers (both in Canada and abroad) pursuant to its contractual or statutory authority. Where Client provides any document to KPMG in respect of which Client wishes to assert legal privilege, Client shall clearly mark such document "privileged" and shall otherwise clearly advise KPMG that Client wishes to maintain legal privilege in respect thereof.

14. LIMITATION PERIOD.

No action, regardless of form, arising under or relating to the engagement, may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement in the case of an advisory services engagement and not more than eight years after completion of the engagement in the case of a tax services engagement, except that an action for non-payment may be brought by a party not later than one year following the date of the last payment due to such party hereunder. For purposes of this section, the term KPMG shall include its associated and affiliated entities and their respective partners, directors, officers and employees.

15. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

16. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of risk associated with its use.

17. POTENTIAL CONFLICTS OF INTEREST.

Except as otherwise set out herein, Client should be aware that it is not uncommon for KPMG to be auditors and/or advisors of more than one of the parties involved in a transaction. In such situations, KPMG takes appropriate measures to ensure that strict confidentiality is maintained in all respects. If these circumstances are identified, KPMG will advise Client of that fact, subject to confidentiality requirements, and will consider with Client what further measures, if any, are appropriate. Client further acknowledges that at some point KPMG may act contrary to Client's interest on unrelated matters.

18. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

19. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

20. SURVIVAL.

Sections 1 to 17 and 20, 21, 25, 26 and 30 hereof shall survive the expiration or termination of the engagement.

21. SUCCESSORS AND ASSIGNS.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may engage independent contractors and member firms of KPMG International to assist KPMG in performing the services hereunder.

22. SEVERABILITY.

The provisions of the Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of the Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

23. ENTIRE AGREEMENT.

The Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

24. GOVERNING LAW.

The Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province in which KPMG's principal office performing the engagement is located (without regard to such province's rules on conflicts

of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province.

25. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all member firms of KPMG International performing services hereunder shall be entitled to the benefits of the Terms and Conditions. Client agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party and not against any other KPMG International member firms.

26. SPECIFIC ACCOUNTING ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

27. LLP.

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the various Institutes/Ordre of Chartered Accountants. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

28. PROCEDURES.

The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Skyservice or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. Our findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting our findings, KPMG will rely exclusively upon information provided to KPMG by Skyservice, its personnel and advisors and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG's procedures with respect to Skyservice's financial information will be substantially less in scope than an audit or review engagement conducted in accordance with Canadian generally accepted auditing or review standards. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Skyservice's financial statements or Skyservice's internal control over financial reporting.

29. REPORTING.

All oral and written communications by KPMG to Client with respect to the engagement, including drafts and those communications occurring prior to the execution of the Engagement Letter will be subject to the terms and conditions of the Engagement Letter and these Additional Terms and Conditions. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like us to perform or areas to address.

30. PROJECTIONS.

In the event we perform procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

31. DISTRIBUTION OF REPORT.

a. KPMG's report is confidential and intended solely for the use of the management of Client to assist with this specific matter and is not for general use, circulation or publication. KPMG's report is not to be referred to, published, circulated, reproduced or used for any other purpose, nor may our name be quoted or our logo reproduced in any form or medium, without our prior written permission in each specific instance, such prior written permission may be unreasonably withheld by KPMG. The content of this paragraph will be reproduced in the report. This section 4 .a. shall not apply if Client is a KPMG SEC registered audit client or affiliate and where tax services are contemplated hereunder.

b. In certain instances, Client may request that our report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.

32. CONSENT TO ACT FOR OTHER CURRENT OR POTENTIAL BIDDER(S).

a. Notwithstanding those provisions set out in section 15 of the accompanying Terms and Conditions for Advisory and Tax Services regarding potential conflicts of interest, specifically, KPMG may currently or potentially be engaged by another party or parties (each a "Current or Potential Bidder") in connection with the transaction involving Target (as such term is defined in the Engagement Letter) that is the same subject of this Engagement Letter, including, without limitation, engagement by KPMG to assist such Current or Potential Bidder(s) with its due diligence investigation of the affairs of Target. In the case of such engagement of KPMG by Current or Potential Bidder(s), Client hereby consents to KPMG being engaged by Current or Potential Bidder(s) and hereby waives any current or potential conflict of interest. Client accepts and agrees that KPMG will not inform Client if another KPMG team is engaged by any Current or Potential Bidder(s). Client also agrees to indemnify and hold harmless KPMG, its subsidiaries, associates and affiliates and their respective partners, directors, officers and employees from any demand, complaint,

KPMG

action, suit, proceeding or claim by any other third party that alleges that KPMG was in a conflict of interest by providing services to both Client and Current or Potential Bidder(s) during or prior to providing services to Client.

ABCD

RELEASE LETTER TO BE SIGNED BY THIRD PARTY PRIOR TO DISTRIBUTION OF REPORT

Mr. Ron Patmore
[Address]

January X, 2011

Dear Mr. Patmore

Specified Procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA

In connection with Skyservice Airlines Inc. ("Skyservice") we have been asked by Skyservice to provide to Mr. Ron Patmore, in his capacity as minority shareholder representative of the former minority shareholder of Skyservice Airlines Inc. before its amalgamation in 2007 ("Third Party") a copy of our confidential findings report relating to the Specified Procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA (the "Report").

The Report was prepared solely in accordance with the specific terms of reference (the "Engagement Letter") agreed between ourselves and Skyservice for their exclusive use and for no other purpose. A copy of the Engagement Letter is attached and incorporated herein by reference.

The Report should not be regarded as suitable for use by any person or persons other than the addressees of the Report or for any purpose other than set out in the Engagement Letter. We accept no responsibility or liability for any reliance that Third Party may place on the Report or any other information, explanation or disclosure made by KPMG (hereinafter all collectively referred to as the "Information").

You should note that we have not sought to update the Report for events subsequent to September 29, 2009 and significant events may well have occurred since that date.

In consideration of our providing to Third Party the Information you agree to the following:

a) No one at KPMG is authorized by KPMG to make any representations to you with respect to the Report. Nor may anyone at KPMG provide you with the Information on any basis which is inconsistent with or varies or adds to the terms of this letter;

b) KPMG neither warrants nor represents that the Information is accurate, complete, sufficient or appropriate for any purpose contemplated by you;

c) The Information is not provided pursuant to any agreement or other arrangement of a contractually binding nature between our firm and Third Party;

d) Third Party does not acquire any rights against our firm or otherwise as a result of our providing the Information;

e) Our firm and personnel do not have any duties, responsibilities, liabilities or obligations to Third Party as a result of our providing the Information; and

f) You will not commence any action, suit or proceeding or make any demand, complaint or claim against us as a result of KPMG providing the Information or for any omission thereto.

Also, in the event of a claim against KPMG or its personnel which arises out of or relates to our providing the Information to Third Party you will indemnify and hold harmless KPMG and its personnel from all such claims, liabilities, damages, costs and expenses.

Further Third Party agrees that the Information will be maintained by it in strict confidence and not disclosed to any other party.

This letter sets out the entire understanding of the parties in relation to the conditions upon which access to the Information is provided and replaces all prior understandings, if any, made by KPMG.

Please indicate your acceptance to the terms of this letter by signing and returning one copy of this letter to the undersigned at fax (416) 777-8818.

Yours very truly,

KPMG LLP

Tammy Brown
Partner
(416) 777-8344

Third Party hereby acknowledges that it understands and agrees to the conditions upon which the Information is provided.

Third Party

By: _____ _____
Date

Name: _____
signature

Title: _____

RELEASE LETTER TO BE SIGNED BY CLIENT PRIOR TO DISTRIBUTION OF REPORT

PRIVATE & CONFIDENTIAL
Skyservice Airlines Inc.
Acting by its Receiver,
FTI Consulting Canada Inc.
in its capacity as receiver of
and not in its personal or corporate capacity
900 West Hastings Street, Suite 500
Vancouver BC V6C 1E5

January 13, 2011

Dear Mr. Engen:

Re: Report on Specified procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA

You have asked us to provide to Ron Patmore ("Third Party") a copy of the report on Specified Procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA ("Specified Procedures") dated September 29, 2009 (the "Report") which was prepared pursuant to our engagement letter dated June 15, 2009 and amended on December 13, 2010.

We are prepared to provide a copy of the Report to Third Party subject to Third Party's agreement to the terms in the attached letter and to your agreement to the terms of this letter.

You hereby confirm that you have all necessary consents from relevant parties to authorize our providing the Report to Third Party, and that there are no duties of confidentiality owed to any party which would prevent the Report from being provided to Third Party. You will provide such consents to KPMG upon request by KPMG.

Skyservice Airlines Inc. ("Skyservice") will accept the risk, and not hold KPMG responsible, if providing the Report to Third Party results in the termination of, or alteration to, any transaction or in any action against Skyservice, or if any party or their advisers involved with the transaction misuse any confidential information obtained through the Report.

In addition, in the event of a claim against KPMG, its partners or personnel that arises out of or relates to our providing the Report to Third Party, Skyservice will indemnify and hold harmless KPMG, its partners and personnel from all such claims, liabilities, damages, costs and expenses.

Please indicate your acceptance to the terms of this letter and to our providing a copy of the Report to Third Party by signing and returning a copy of this letter to the undersigned at fax (416) 228-8818.

Yours very truly,

KPMG LLP

Tammy Brown
Partner
(416) 777-8344

We are in agreement with the terms of this letter and to the release of the Report dated September 29, 2009 to Third Party.

SKYSERVICE AIRLINES INC.

by: _____ _____
signature Date:

Name: _____

Title: _____

RELEASE LETTER TO BE SIGNED BY CLIENT PRIOR TO DISTRIBUTION OF REPORT

PRIVATE & CONFIDENTIAL
Skyservice Airlines Inc.
Acting by its Receiver,
FTI Consulting Canada Inc.
in its capacity as receiver of
and not in its personal or corporate capacity
900 West Hastings Street, Suite 500
Vancouver BC V6C 1E5

January 13, 2011

Dear Mr. Engen:

Re: Report on Specified procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA

You have asked us to provide to Skyservice Investments Inc. ("Third Party") a copy of the report on Specified Procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA ("Specified Procedures") dated September X, 2009 (the "Report") which was prepared pursuant to our engagement letter dated June 15, 2009 and amended on December 13, 2010.

We are prepared to provide a copy of the Report to Third Party subject to Third Party's agreement to the terms in the attached letter and to your agreement to the terms of this letter.

You hereby confirm that you have all necessary consents from relevant parties to authorize our providing the Report to Third Party, and that there are no duties of confidentiality owed to any party which would prevent the Report from being provided to Third Party. You will provide such consents to KPMG upon request by KPMG.

Skyservice Airlines Inc. ("Skyservice") will accept the risk, and not hold KPMG responsible, if providing the Report to Third Party results in the termination of, or alteration to, any transaction or in any action against Skyservice, or if any party or their advisers involved with the transaction misuse any confidential information obtained through the Report.

In addition, in the event of a claim against KPMG, its partners or personnel that arises out of or relates to our providing the Report to Third Party, Skyservice will indemnify and hold harmless KPMG, its partners and personnel from all such claims, liabilities, damages, costs and expenses.

Please indicate your acceptance to the terms of this letter and to our providing a copy of the Report to Third Party by signing and returning a copy of this letter to the undersigned at fax (416) 777-8818.

Yours very truly,

KPMG LLP

Tammy Brown
Partner
(416) 777-8344

We are in agreement with the terms of this letter and to the release of the Report dated September 29, 2009 to Third Party.

SKYSERVICE AIRLINES INC.

by: _____ _____
signature Date:

Name: _____

Title: _____

RELEASE LETTER TO BE SIGNED BY THIRD PARTY PRIOR TO DISTRIBUTION OF REPORT

Mr. Tim Casgrain
[Address]

January X, 2011

Dear Mr. Casgrain

Specified Procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA

In connection with Skyservice Airlines Inc. ("Skyservice") we have been asked by Skyservice to provide to Skyservice Investments Inc. ("Third Party") a copy of our confidential findings report relating to the Specified Procedures performed on Conquest Vacation Company EBITDA and Skyservice Airlines Inc. EBITDA (the "Report").

The Report was prepared solely in accordance with the specific terms of reference (the "Engagement Letter") agreed between ourselves and Skyservice for their exclusive use and for no other purpose. A copy of the Engagement Letter is attached and incorporated herein by reference.

The Report should not be regarded as suitable for use by any person or persons other than the addressees of the Report or for any purpose other than set out in the Engagement Letter. We accept no responsibility or liability for any reliance that Third Party may place on the Report or any other information, explanation or disclosure made by KPMG (hereinafter all collectively referred to as the "Information").

You should note that we have not sought to update the Report for events subsequent to September 29, 2009 and significant events may well have occurred since that date.

In consideration of our providing to Third Party the Information you agree to the following:

a) No one at KPMG is authorized by KPMG to make any representations to you with respect to the Report. Nor may anyone at KPMG provide you with the Information on any basis which is inconsistent with or varies or adds to the terms of this letter;

b) KPMG neither warrants nor represents that the Information is accurate, complete, sufficient or appropriate for any purpose contemplated by you;

c) The Information is not provided pursuant to any agreement or other arrangement of a contractually binding nature between our firm and Third Party;

d) Third Party does not acquire any rights against our firm or otherwise as a result of our providing the Information;

e) Our firm and personnel do not have any duties, responsibilities, liabilities or obligations to Third Party as a result of our providing the Information; and

f) You will not commence any action, suit or proceeding or make any demand, complaint or claim against us as a result of KPMG providing the Information or for any omission thereto.

Also, in the event of a claim against KPMG or its personnel which arises out of or relates to our providing the Information to Third Party you will indemnify and hold harmless KPMG and its personnel from all such claims, liabilities, damages, costs and expenses.

Further Third Party agrees that the Information will be maintained by it in strict confidence and not disclosed to any other party.

This letter sets out the entire understanding of the parties in relation to the conditions upon which access to the Information is provided and replaces all prior understandings, if any, made by KPMG.

Please indicate your acceptance to the terms of this letter by signing and returning one copy of this letter to the undersigned at fax (416) 777-8818.

Yours very truly,

KPMG LLP

Tammy Brown
Partner
(416) 777-8344

Third Party hereby acknowledges that it understands and agrees to the conditions upon which the Information is provided.

Third Party

By: _____ _____
Date

Name: _____
signature

Title: _____

From: Hall, Geoff R.
Sent: Monday, February, 28, 2011 10:19 AM
To: Rosenthal, Julie
Subject: RE: Skyservice - documentation needed by KPMG for issuance of report

The difficulty is that KPMG prepared what it refers to as a "specified procedures and findings report" for Skyservice's management. As such, KPMG refuses to release the report if it is going to be shared with third parties such as your clients unless those third parties have executed the documentation I have forwarded to you. If the receiver obtains the report but cannot share it with your clients, the whole point of the report would be defeated.

Just so the receiver's position is crystal clear, I should add the following. While the receiver understands that your clients wish to litigate the EBITDA issue from scratch (for the obvious reason that KPMG's findings were not favourable to them), the receiver is of the view that KPMG's findings are conclusive and binding. This is the result of section 2.11(e)(viii) of the Arrangement Agreement:

"If Amalco sends a First EBIDTA Notice Letter and/or a Second EBITDA Notice Letter, the following provisions shall apply:

I. the parties agree that the applicable EBITDA contributed by the TO's programs for the applicable period shall be determined based on the audited financial statements of Amalco for such period (excluding interest earned on cash balances as provided in clause (vii) above). If the financial year of Amalco does not end on April 30th, then the parties agree, acting reasonably, to determine the applicable EBITDA on the basis of internally generated financial statements for the applicable periods and which are reviewed by Amalco's auditors. *Such determinations shall be final and binding on the Parties.*" [Emphasis added.]"

The applicable principles of contractual interpretation require that meaning be given to all contractual language. The only way to give meaning to the emphasized words is to conclude that the parties intended the KPMG numbers to be final and binding on them in the event of a dispute. They did not intend that in the event of a dispute the numbers would be litigated and the court would make a finding between competing expert evidence.

As previously indicated, I have instructions to bring a motion to compel your clients to cooperate in obtaining the KPMG report if they will not do so voluntarily. I appreciate that you are on vacation until March 14 but if this issue is not resolved shortly after your return I will be proceeding with my motion.

mccarthy tétrault

Geoff R. Hall
Litigation/Litige
T: 416-601-7856
C: 416-315-6423

McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

From: Rosenthal, Julie [mailto:jrosenthal@goodmans.ca]
Sent: Friday, February 25, 2011 9:57 AM
To: Hall, Geoff R.
Subject: Re: Skyservice - documentation needed by KPMG for issuance of report

Geoff,

Apologies for the dilatory response.

With respect to KPMG's request that my clients sign "release letters", my clients received the same request from KPMG (via Skyservice Airlines) back in 2009. At that time, my clients told Airlines that they were not willing to sign the letters. Their position has not changed. You say that your clients need the KPMG report. If that is the case, I do not understand how my clients' refusal to provide the requested indemnities should provide any difficulties in that regard. Any explanation that you could provide in that respect would be helpful.

I have just left for a two week vacation. I would be happy to discuss the matter when I return on March 14.

In addition, I continue to await your report as to how the receiver is progressing in gathering the documents related to the reps and warranties claim.

Regards,

Julie

From: Hall, Geoff R. [mailto:GHALL@MCCARTHY.CA]
Sent: Thursday, February 24, 2011 02:55 PM
To: Rosenthal, Julie
Subject: RE: Skyservice - documentation needed by KPMG for issuance of report

Where do we stand on the documentation requested by KPMG? If your clients are not prepared to execute it I am instructed to move for an order compelling them to do so. The receiver needs the KPMG report and I am confident the court would assist the receiver in obtaining it.

mccarthy tétrault

Geoff R. Hall
Litigation/Litige
T: 416-601-7856
C: 416-315-6423

McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

From: Rosenthal, Julie [mailto:jrosenthal@goodmans.ca]
Sent: Friday, February 4, 2011 1:22 PM
To: Hall, Geoff R.
Subject: RE: Skyservice - documentation needed by KPMG for issuance of report

Sorry Geoff. I am seeking instructions and hope to have a response for you shortly.

From: Hall, Geoff R. [mailto:GHALL@MCCARTHY.CA]
Sent: Thursday, February 03, 2011 3:27 PM
To: Rosenthal, Julie
Subject: FW: Skyservice - documentation needed by KPMG for issuance of report
I am just following up on the KPMG documentation. Is it acceptable? Will your clients be executing it? Thanks.

mccarthy tétrault

Geoff R. Hall
Litigation/Litige
T: 416-601-7856
C: 416-315-6423

McCarthy Tétrault LLP

Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

From: Hall, Geoff R.
Sent: Monday, January 24, 2011 10:53 AM
To: Rosenthal, Julie
Subject: Skyservice - documentation needed by KPMG for issuance of report

The Receiver has had some discussions with KPMG about the release of its report on the EBITDA issue, which we obviously need to advance matters on that issue.
The Receiver and KPMG have settled on the form of an engagement letter, which KPMG has executed. It is attached (the PDF document).
However, for the report to be made available to your clients, KPMG is requiring "release letters" to be signed by the Receiver and your clients. Obviously the whole point of the report is to be reviewed by both the Receiver and your clients, so we need to get KPMG to allow your clients to see the report.
The release letters are attached. The version to be executed by the Receiver is acceptable to the Receiver. Please advise whether the version to be executed by your clients is acceptable to them.
Many thanks.

mccarthy tétrault

Geoff R. Hall
Litigation/Litige
T: 416-601-7856
C: 416-315-6423

McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

From: Rosenthal, Julie [jrosenthal@goodmans.ca]
Sent: Monday, March, 14, 2011 11:48 AM
To: Hall, Geoff R.
Subject: Skyservice

Mr. Hall,

We have your emails of February 24 and February 28. As we have previously advised, our clients do not agree to sign the proposed release and indemnity letters. While you state that you will seek an order requiring them to do so, we can see no basis in law for such an order.

Moreover, as will not surprise you, our clients strongly disagree with your interpretation of 2.11(e)(viii) of the Arrangement Agreement. Indeed, we do not even understand your assertion that "KPMG's findings are conclusive and binding". Nothing in the agreement supports such an assertion. Rather, as we have previously explained to Airlines (in correspondence to which we expect your client is now privy in its capacity as receiver), the arrangement agreement clearly calls for a collaborative process, with the parties, acting reasonably, determining the applicable EBITDA. The wording of the agreement rebuts any suggestion that the determination of the EBITDA is to be a unilateral process, such as that which your client would apparently like to follow.

We repeatedly asked Airlines to engage in the contractually-mandated collaborative process, by meeting and jointly reviewing the internally generated interim financial statements together with all relevant supporting documentation. Just as an example, I attach a letter sent by Catherine Duff-Caron to Skyservice Airlines on or about October 15, 2009. For reasons that are not clear to us, Airlines refused to engage in that contractually-mandated process. However, our clients continue to be willing to do so. We accordingly, repeat our request for a meeting whereby the parties can begin the process contemplated by the arrangement agreement. Please advise as to when your client would be available to meet.

Lastly, we note that it is now six months since you advised that your client had begun the process of locating and organizing the documents relating to the "Reps and Warranties" claim (i.e. the claim relating to the holdback in respect of the representations and warranties). Despite repeated reminders from us, you have failed to provide either the documents themselves, or even a date by which the documents would be ready for production. While you have advised that the data is voluminous and not well organized, given the very lengthy amount of time that has elapsed and the lack of any indication from your client as to when the process will be completed, we can only assume that your client has no interest in cooperating in a timely resolution of that dispute. Accordingly, when you bring your motion for an order relating to the KPMG indemnity letter, we will be seeking the court's assistance in moving forward with that claim.

Regards,

Julie Rosenthal

Attachments:
2009 10 15 let to Airlines CFO Additional Holdback.doc (163392 Bytes)

Court File No. CV-10-8647-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	DAY, THE
	)	
	)	DAY OF •, 2011

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC.

B E T W E E N:

THOMAS COOK CANADA INC.

Applicant

- and –

SKYSERVICE AIRLINES INC.

Respondent

ORDER

(motion for an interpretation of the Arrangement Agreement and for an order with respect to liability arising from the KPMG Report)

THIS MOTION, made by the Receiver for an interpretation of section 2.11(e)(viii) of the Arrangement Agreement and for an order restricting claims against KPMG as a result of KPMG providing the KPMG Report, was heard this day at 330 University Avenue, Toronto.

ON READING the notice of motion and the Ninth Report of the Receiver, and on hearing the submissions of counsel for the Receiver and counsel for the Former Shareholders:

1. **THIS COURT ORDERS** that in this order the following terms have the following meanings:

(a) "**Arrangement Agreement**" means the arrangement agreement dated as of August 14, 2007 between Skyservice Investments Inc., 6756140 Canada Inc., 6806929 Canada Inc. and Skyservice Airlines Inc.

(b) "**Former Shareholders**" means Skyservice Investments Inc. and Ronald Patmore in his capacity as "Minority Shareholder Representative" under an escrow agreement among Skyservice Investments Inc., Ronald Patmore and others made as of October 19, 2007.

(c) "**KPMG**" means KPMG LLP and its affiliated and related partnerships and corporations and their respective partners, officers, directors, agents and employees.

(d) "**KPMG Engagement Letter**" means an engagement letter to be entered into between KPMG and the Receiver in respect of KPMG's engagement in connection with the KPMG Report, in terms which are mutually satisfactory to the Receiver and KPMG.

(e) "**KPMG Report**" means the report prepared by KPMG in 2009 summarizing KPMG's procedures and findings of Skyservice's EBITDA derived from Skyservice's program with Conquest Vacations for the period November 1, 2007 to April 30, 2008 (among other things).

(f) "**Receiver**" means FTI Consulting Canada Inc., in its capacity as court-appointed receiver of Skyservice.

(g) "**Skyservice**" means Skyservice Airlines Inc.

2. **THIS COURT ORDERS AND DECLARES** that, pursuant to section 2.11(e)(viii) of the Arrangement Agreement, entitlement to amounts held in escrow pursuant to section 2.11(e)(vi) of the Arrangement Agreement is to be based on the findings of the KPMG Report on the applicable EBITDA, with the determinations in the KPMG Report being final and binding on the Receiver and the Former Shareholders.

3. **THIS COURT ORDERS** that the Receiver is authorized to enter into and execute the KPMG Engagement Letter.

4. **THIS COURT ORDERS** that no person, including but not limited to the Receiver and the Former Shareholders, shall commence any action, suit or proceeding or make any demand, complaint or claim against KPMG as arising out of KPMG providing the KPMG Report or for any error or omission contained therein.

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC.

B E T W E E N :

THOMAS COOK CANADA INC. - and - SKYSERVICE AIRLINES INC.

Court File No. CV-10-8647-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

McCarthy Tétrault LLP
Suite 5300, P.O. Box 48
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

Jamey Gage LSUC#: 34676I
Tel: (416) 601-7539
E-mail: jgage@mccarthy.ca

Geoff R. Hall LSUC#: 34701O
Tel: 416 601-7856
E-mail: ghall@mccarthy.ca

Heather Meredith LSUC#: 48354R
Tel: (416) 601-8342
E-mail: hmeredith@mccarthy.ca

Fax: (416) 868-0673

Lawyers for FTI Consulting Canada Inc.

#10213970 v. 4

IN THE MATTER OF THE RECEIVERSHIP OF SKYSERVICE AIRLINES INC.

B E T W E E N :

THOMAS COOK CANADA INC. - and - SKYSERVICE AIRLINES INC.

Court File No. CV-10-8647-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding Commenced at Toronto

MOTION RECORD

McCarthy Tétrault LLP
Suite 5300, P.O. Box 48
Toronto Dominion Bank Tower
Toronto ON M5K 1E6

Jamey Gage LSUC#: 34676I
Tel: (416) 601-7539
E-mail: jgage@mccarthy.ca

Geoff R. Hall LSUC#: 34701O
Tel: 416 601-7856
E-mail: ghall@mccarthy.ca

Heather Meredith LSUC#: 48354R
Tel: (416) 601-8342
E-mail: hmeredith@mccarthy.ca

Fax: (416) 868-0673

Lawyers for FTI Consulting Canada Inc.
#10366310