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June 1, 2012

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File No.: 548732-001

"WITHOUT PREJUDICE"

Subject : Canadian North Inc. vs. Aveos Fleet Performance
Inc.
Superior Court: 500-17-070979-128

Dear Confreere:

We are counsel for Aveos Fleet Performance Inc. ("**Aveos**") in its *Companies Creditors' Arrangement Act ("CCAA")* proceedings.

We have been informed that the amount owed by your client, Canadian North Inc. ("**CN**") to Aveos has been agreed upon at \$1,109,746.19 (the "**Amount**"). We understand that there have been several concessions of material value given by Aveos to CN in the resolution of the disputes that resulted in the above agreement, and therefore, Aveos remains firm that this is the Amount owed.

The Amount is owed with respect to past services, fully performed, under the power-by-the-hour agreement that existed between the parties until it was terminated by CN on March 18, 2012.

CN has until this date attempted to claim a set-off right based on termination damages related to the Aveos CCAA filing. Given that CN now admits that it terminated the agreement prior to such filing, there is no basis whatsoever for this alleged claim.

We have been also informed that CN owes additional amounts to Aveos for inventory taken by CN (without permission) and for the use of Aveos tooling, which have taken place since the date of the CCAA filing. Aveos is reconciling these amounts now and reserves all its rights.

Aveos will seek an order from the CCAA Court for payment of the Amount.

In the meantime, Aveos is entitled , and will have no option but, to retain the documents and records in its possession relating to the equipment covered by the agreement.

We have also been informed that CN has failed to pay to Aveos for the information technology services it requires, despite using same for a number of months. CN has failed to pay \$7,500 per month plus applicable taxes since January 2012 for a total of \$37,500.00 plus taxes. Aveos is entitled to terminate immediately the License and Support Services Agreement dated as of November 5, 2010, concerning Canadian North licensing or sub-licensing the aircraft maintenance planning and management software, known as SMART. CN will no longer have access to the Aveos hardware and software and the said agreement will be terminated in fifteen (15) days from this termination notice pursuant to section 12.1 of the said agreement.

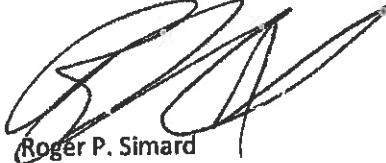
Our client and the Monitor would like to resolve this matter but, unless a solution is reached in the next few days, Aveos will have no option but to file the appropriate legal proceedings.

Please advise your client to act accordingly.

We trust the foregoing is to your entire satisfaction and remain,

Yours truly,

Fraser Milner Casgrain LLP



Roger P. Simard

RPS:ll

cc. FTI Consulting Canada Inc., Mrs Toni Vandelaan
cc. Norton Rose Canada LLP, Mtre Sylvain Rigaud
cc R.e.l. Group inc. Mrs Heather Brodie