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June 1, 2012

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File: 144370.3

Attention: Roger P. Simard

Dear Sir:

**Re: Canadian North Inc. v. Aveos Fleet Performance Inc.
Superior Court: 500-17-070979-128
Your File No. 548732-001**

We have your letter of June 1, 2012, which we have forwarded to our client. We will be providing a full response to the various comments that you have made in your letter, but suffice to say that your view of the situation is inaccurate. There were no concessions, as you suggest. The amount was arrived at by looking at every item carefully and making appropriate adjustments.

Your client breached the agreement before the termination letter was sent, and indeed, the termination letter was sent on your client's invitation. The termination letter, if you review it, contains a reservation of rights which, in our view, preserves our client's ability to pursue Aveos for any outstanding issues. It is simply wrong as a matter of law that any right that our client has to claim setoff ceases to exist on the termination of the agreement. Our client has a legitimate setoff claim based upon amounts paid for service which your client was incapable or unwilling to provide.

Secondly, we are astounded at your suggestion that inventory was taken without permission. When it became clear that Aveos was unwilling or incapable of providing further services under the agreement, Canadian North sought and obtained Aveos' consent to utilize parts located in the Canadian North facilities as required, and careful records have been kept with regard to anything that was utilized. Canadian North has a letter from Aveos which confirms that Aveos agreed to Canadian North utilizing parts in the Edmonton facility until a suitable replacement service provider could be secured. The basis upon Canadian North utilizing those parts was that, at some point, compensation would be provided to Aveos. As such, the threat to seek an order from the CCAA Court for payment for the use of these parts is a hollow threat.

With regard to the information technology services, this is the first that we have heard of the \$7,500-per-month fee, and we are seeking information from our client in regard to that matter.

You should be aware of the fact that Stéphane Hébert of our Montréal office is in the process of attempting to contact counsel for the Monitor with a proposal in terms of the way forward in this dispute.

Yours sincerely,

MILLER THOMSON LLP

Per:



Terrence M. Warner

TMW/sls

Enclosure

c. Canadian North Inc.
Tracy Medve (via email)

Stéphane Hébert (via email)

