

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11-042345 - 120

SUPERIOR COURT
Commercial Division
*Designated tribunal under the
Companies' Creditors Arrangement Act*¹

IN THE MATTER OF THE
PROPOSED PLAN OF COMPROMISE
AND ARRANGEMENT OF AVEOS
FLEET PERFORMANCE INC. /
AVEOS PERFORMANCE
AÉRONAUTIQUE INC. AND AERO
TECHNICAL US INC.

DEBTORS

- and -

FTI CONSULTING CANADA INC.
MONITOR

**EIGHTEENTH REPORT TO THE COURT SUBMITTED BY FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On March 19, 2012, Aveos Fleet Performance Inc. (“**Aveos**”) and Aero Technical US Inc. (“**Aero US**” and together with Aveos, the “**Company**” or the “**Debtors**”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and an initial order (the “**Initial Order**”) was made by the Honourable Mr. Justice Schragger of the Superior Court of Quebec (Commercial Division) (the “**Court**”), granting, *inter alia*, a stay of proceedings against the Debtors until April 5, 2012, (as extended from time to time thereafter², the “**Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor of the Debtors (the “**Monitor**”). The proceedings commenced by the Debtors under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

¹ *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

² The Stay Period was extended four times by way of Orders dated April 5, May 4, July 19, and October 19, 2012 and is set to expire on February 1, 2013.

2. On December 12, 2012, the Company filed its motion requesting an amendment to the Initial Order to grant the Company the authority to enter into a contract to lease the Aveos owned building used by its Engines Maintenance Division (the “**EMC Building**”).
3. The purpose of this report is to advise the Court on the Monitor’s support of the Company’s request for an order amending the Initial Order and granting the Company the authority to enter into a lease of the EMC Building.
4. In preparing this report, the Monitor has relied upon unaudited financial information of the Debtors, the Debtors’ books and records, certain financial information prepared by the Debtors and discussions with the Debtors’ management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management’s assumptions regarding future events; actual results may vary from forecast and such variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the previous reports of the Monitor.

THE POTENTIAL TRANSACTION FOR THE EMC

6. On October 24, 2012 and November 12, 2012 in appearances before the Court on other matters, the CRO and the Monitor advised the Court of a late participant to the Aveos Divestiture Process with an interest in the EMC division, including the EMC Building.
7. The Court was advised that the interested party was sophisticated and in the view of the CRO had the means to complete the contemplated transaction. The Court was advised that the interested party had requested a period of time to conduct its due diligence and had requested that its identity remain confidential during the due diligence period.

8. Although the legal structure of the proposed transaction has not been finally determined, this transaction would allow a restart of Aveos' operations with respect to the EMC division. Pursuant to the different scenarios under consideration, either a short or long term occupation agreement to secure the use of the EMC Building would be required.
9. The assets which would form part of this transaction include the EMC Building as well as the EMC tooling and equipment. The interested party has reached an agreement with Maynards in respect of the EMC tooling and equipment.
10. The proposed transaction would enhance the recovery ahead of what would have been achieved in the liquidation sale, which the Court has already approved with respect to the EMC division. The Monitor refers this Court to:
 - (a) The Third Report of the CRO dated June 26, 2012, at paragraphs 23 to 28;
 - (b) The Ninth Report of the Monitor dated June 26, 2012, at paragraphs 17 to 30;
 - (c) The Eleventh Report of the Monitor dated July 25, 2012, at paragraphs 9 to 22;
 - (d) The Fifth Report of the CRO dated July 25, 2012, at paragraphs 6 to 16; and
 - (e) The Approval and Vesting Order (Engine Maintenance Centre) granted by the Court on July 26, 2012.
11. The CRO has held several meetings with the interested party and its due diligence is ongoing. There is some concern with respect to the Company's ability to meet the interested party's proposed timeline which contemplates restarting operations at the EMC as early as the first week of January, 2013. In order for the proposed timeline to be met, it is necessary for the Company to conclude negotiations before the end of next week. To address this concern and enhance the likelihood of a successful transaction, the Company has brought its motion to amend the Initial Order to gain the requisite authority to enter

into a lease of the EMC Building, subject to the consent of the Monitor and Administrative Agent for the Third Party Secured Lenders (the “Agent”).

12. The Monitor has considered the Company’s motion and makes the following observations for the benefit of the Court:
 - (a) The Divestiture Process undertaken by the CRO was worldwide in its scope and specifically contemplated a sale of the EMC business as outlined in the Divestiture Process;
 - (b) The Divestiture Process did not identify a party interested in a restart of the EMC facility prior to the interest expressed by the interested party;
 - (c) The contemplated transaction could see a restart of the EMC facility as early as January 2013 and could lead to the possible re-hiring of a number of former Aveos employees and positive business opportunities for suppliers;
 - (d) Proceeding with the negotiations in an effort to conclude the contemplated transaction is reasonable in the circumstances and stands to benefit a significant number of stakeholders;
 - (e) The benefit that could be achieved through the contemplated transaction is greater than what could be achieved by the stakeholders in the alternative; and
 - (f) The proposed lease agreement would be subject to the consent of the Monitor and the Agent on behalf of the Secured Lenders.
13. The proposed lease is required to allow the interested party to obtain access to the premises and move forward with their operational plans to restart the EMC business.
14. The Monitor recommends, for the reasons outlined above, that the Initial Order be amended as requested in the Company’s motion. The Monitor wishes to emphasize that at this time the exact structure of the transaction has not been finalized and that it is possible

that the final agreed upon transaction may vary materially from what is contemplated today and that it may need to be approved specifically by the Court at a future date.

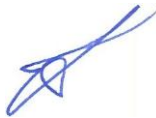
15. The Monitor notes that the proposed lease of the EMC Building may well require third party consents, which will need to be obtained, if so required.
16. The Monitor respectfully submits this Eighteenth Report to the Court.

Dated this 12th day of December, 2012.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Aveos Fleet Performance Inc. and Aero Technical US Inc.



Greg Watson
Senior Managing Director



Toni Vanderlaan
Managing Director