

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

S U P E R I O R C O U R T
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

**SECOND 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, (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. On March 20, 2012:
 - (a) the Monitor filed its first report to advise the Court of material adverse events which would lead to the resignation of the Debtors' directors, the shutdown of its operations and the termination of most of its workforce;
 - (b) the Debtors presented a motion for the appointment of a Chief Restructuring Officer (the "**CRO Motion**"), which was granted appointing Mr. Jonathan Solursh as the Chief Restructuring Officer (the "**CRO**") with authority to carry on, manage, operate and supervise the management and operations of the business and affairs of the Company, subject to certain terms and conditions and granting a charge in favour of the CRO in the amount of \$2.5 million (the "**CRO Charge**").
3. On March 28, 2012, Aeroturbine, Inc. ("**Aeroturbine**") served a Motion *de benne esse* to lift the stay (the "**Aeroturbine Motion**"), which is made presentable on April 5, 2012.
4. On March 30, 2012, the Debtors presented a motion for the issuance of an amended and restated Initial Order (the "**Restated Initial Order**") in order to deal with two issues as follows:
 - (a) firstly, the Debtors' request for the approval of the Court to exclude from the Initial Order the requirement to pay pre-filing Sales Taxes. The Court released its reasons for its decision on April 3, 2012;
 - (b) secondly, Debtors sought certain modifications to the Initial Order to ensure and facilitate the publication of the Directors' Charge, the Administrative Charge and the CRO Charge. The Court suggested, and it was agreed, that the presentation of this part of the motion be postponed to April 5, 2012, so that the Debtors may adduce additional evidence concerning the nature and extent of the rights affecting the property described at paragraph 19 of said motion and concerning the rights

registered against Debtors' moveable property. Also, the Court mentioned that it might be appropriate to reconsider at that time the Directors' Charge given the events which took place immediately following the issuance of the Initial Order.

5. On April 2, 2012:
 - (a) The Debtors filed a motion for directions and authorization for the payment of certain sums to employees, namely the pre-filing wages earned in the period March 4, 2012 to March 17, 2012 in respect of unionized employees and March 11, 2012 to March 18, 2012 in respect of non unionized employees. This motion is presentable on April 5, 2012;
 - (b) The Debtors filed a motion for the extension of the Stay Period to May 4, 2012. This motion is presentable on April 5, 2012; and
 - (c) Air Canada filed a motion for an order lifting the stay of proceedings to repossess certain assets (the "**Air Canada Motion**").

6. The purpose of this report is to inform the Court on the following:
 - (a) The activities of the Company and the CRO to date;
 - (b) The activities of the Monitor to date;
 - (c) The receipts and disbursements of the Company for the period March 19, 2012 to March 30, 2012;
 - (d) The revised cash flow for the period March 31, 2012 to May 4, 2012;
 - (e) Additional information in respect of the Directors' Charge and the Administrative Charge granted at the time of the issuance of the Initial Order;

- (f) The Debtors' motion for directions and authorization in respect of payments of certain amounts to employees;
 - (g) The Aeroturbine and Air Canada motions;
 - (h) The Department of National Defence ("DND") contract;
 - (i) The CRO's proposed strategy for the realization of assets; and
 - (j) The Company's request for an extension of the Stay Period until May 4, 2012.
7. 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.
8. 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 pre-filing report of the Proposed Monitor.

THE ACTIVITIES OF THE COMPANY AND THE CRO TO DATE

9. A detailed description of the activities of the CRO subsequent to his appointment are provided in the CRO's first report to the Court dated April 3, 2012, (the "**CRO's First Report**"), filed concurrently in these proceedings. To avoid duplication on this and certain other matters identified in this report the Monitor respectfully requests that the Court reference the CRO's First Report.

THE ACTIVITIES OF THE MONITOR TO DATE

10. To date, the CRO, the Company and its management and staff have provided the Monitor with their full co-operation and unrestricted access to the Aveos' premises, books and records. The Monitor has implemented procedures for the monitoring of operations, receipts and disbursements and is assisting the CRO and the Company in their dealings with employees, customers, suppliers, creditors, potential lenders and other interested parties.
11. The Monitor has established a website at <http://cfcanada.fticonsulting.com/aveos> (the "**Monitor's Website**") on which regular updates on the CCAA Proceedings are being posted, together with all Court materials filed in the CCAA Proceedings. In addition, the Monitor has established contact numbers (1-416-649-8099 or 1-514-856-4155) and an email address (aveos@fticonsulting.com) to allow stakeholders to communicate directly with the Monitor in order to address any questions or concerns in respect of the CCAA Proceedings.
12. Pursuant to paragraph 37 of the Initial Order the Monitor:
 - (a) On March 23, 2012, published the initial notice containing the information prescribed under the CCAA in the Globe and Mail (National Edition). This will run again on April 2, 2012. Additionally, a French version of the notice was published in La Presse on March 23, 2012 and March 30, 2012;
 - (b) On March 19, 2012, made the Initial Order publicly available by posting it on the Monitor's Website;
 - (c) On March 23, 2012, with the assistance of the Company, sent a notice in the prescribed manner to every known creditor with a claim against the Companies of more than \$1,000.00; and
 - (d) On March 21, 2011, posted a list of creditors, other than the names or addresses of individuals who are creditors, on the Monitor's Website.

13. As stated in its pre-filing report dated March 19, 2012 the Monitor has instructed its counsel to prepare an independent opinion concerning the validity and enforceability of the Lenders' security and will report to the Court once it receives this opinion.

Assisting with the Return of Third Party Assets

14. As described in more detail below, the CRO, the Company and the Monitor have had numerous meetings and discussions with major customers, employees, suppliers and other creditors, potential lenders and interested parties.
15. The Monitor has received numerous phone calls and emails from customers and creditors requesting the return of goods, inventory and property as a result of the shut down of the Aveos business.
16. The Monitor has been working with the CRO and the Company's management team to ensure these requests are responded to promptly and to ensure that a suitable process is in place to identify and return third party assets.
17. On March 21, 2012, representatives from the CRO and the Monitor held a meeting with representatives from Air Canada, the Company's largest customer, and at this meeting an agreement was reached with respect to a number of matters to enable the parties to move forward with identifying, inspecting and releasing assets belonging to Air Canada and the settlement of accounts between Air Canada and Aveos.
18. The CRO, the Company and the Monitor have also met with a number of other customers who are also seeking the return of their assets on an immediate basis and protocols have been established for responding to and dealing with these requests.
19. At the time of the granting of the Initial Order, Aveos had in its premises, three airframes all of which were immatriculated in the name of Air Canada, two of

which were located in Montreal and one located in Vancouver. Each of these airframes are currently work in progress and additional work is required to complete these airframes and restore them to active flight status.

20. At the time of the granting of the Initial Order, Aveos had 56 third party engines in its premises either not yet inducted, as work in progress or units which have been completed. The Company has communicated with each of its Engines customers to discuss arrangements for the identification, inspection and release of these engines. These negotiations are at various stages and to date 2 engines have been released and it expected that the balance will be released in the coming weeks. A summary of the engines held is presented below.

Engines Summary	Quantity	Released
Awaiting induction	15	1
Work in progress	36	-
Completed	5	1
Total	56	2

21. In addition to the engines, Aveos was also working on, in its Engines facility, 3 Air Canada owned Auxiliary Power Units (“APU’s”) at the time of the filing and work on a further 9 Air Canada APU’s had been outsourced to an outside vendor (“OV”).
22. At the time of the granting of the Initial Order, Aveos has in excess of \$9.4 million in work in progress in its Components business and such components were either located within the Aveos facility or the work had been sub-contracted to various OV’s. The Components business presents a particular challenge with respect to identifying, marshalling and returning assets to third parties given the nature of the assets and the reality that the vast majority of these assets have been disassembled for repair and testing and are currently in a state of being bits and pieces and are located both at Company premises as well as the premises of OV’s. The CRO, the Company and the Monitor are meeting with Components customers and discussing methods to effectively identify and returns these assets.

23. At the time of the granting of the Initial Order, Aveos had in excess of \$169.8 million in inventory and component parts at its various Aveos owned and leased locations across Canada and the US as well as inventory and parts at OV locations. This inventory comprises both Aveos owned assets and third party assets. The CRO, the Company and the Monitor have held meetings with various parties whose assets are included in this inventory to discuss methods to effectively identify and return these assets, where applicable. The table below summarizes the dollar value of inventory and parts by location for Aveos and all third parties assets:

Inventory and Parts \$000's		
Location	Aveos	Third Party
YUL	\$ 45,414.3	\$ 82,575.7
ORD	1,530.2	-
YWG	825.8	1,385.3
YEG	3,670.1	13.1
MEM	2,956.2	-
YVR	1,402.9	3,325.3
YYZ	874.0	22,896.4
TLC	444.0	-
YOW	131.3	209.8
YYC	111.9	1,700.9
JFK	23.7	-
MIA	1.1	-
YZF	51.7	-
SJO	18.3	-
MSP	-	-
YLW	2.1	-
YYT	-	7.2
YRQ	-	3.0
YTR	-	1.4
YQR	-	0.4
YZF	-	0.3
Other	96.9	12.3
Total	\$ 57,457.7	\$ 112,372.2

24. Due to the high volume of inbound communications it has been difficult for the CRO, the Company and the Monitor (collectively the “**Parties**”) to be responsive and proactive in dealing with these requests, but the Parties have worked diligently over the past two weeks to respond to stakeholders in a timely fashion and establish protocols to move forward with the identification and return of assets. The Parties believe that the protocols which have been implemented have brought some stability and the process of returning assets will be smoother in the coming weeks and that despite the many demands, the Parties have made progress in the initial days of the CCAA Proceedings.

THE RECEIPTS AND DISBURSEMENTS OF THE COMPANY FOR THE PERIOD MARCH 19, 2012 TO MARCH 30, 2012

25. The Debtors’ actual cash flow for the period March 19, 2012 to March 30, 2012 was approximately \$7.9 million better than the March 19th Cash Flow filed as Appendix A to the report of the Proposed Monitor, as summarized below:

\$000's	Forecast	Actual	Difference
<u>Receipts</u>			
AC Net	13,428.6	-	(13,428.6)
Non AC Inflows	2,817.2	1,568.7	(1,248.5)
Total Receipts	16,245.8	1,568.7	(14,677.1)
<u>Disbursements</u>			
Supplier Payments	(7,385.0)	(401.2)	(6,983.8)
Payroll	(10,081.4)	(326.6)	(9,754.8)
Taxes	(3,187.6)	(119.6)	(3,068.0)
Other	(55.0)	(814.5)	759.5
Restructuring Expenses	(1,625.0)	(386.6)	(1,238.4)
Disposal Costs	(1,500.0)	-	(1,500.0)
Total Disbursements	(23,834.0)	(2,048.6)	(21,785.4)
Net Cash Flow	(7,588.2)	(479.9)	7,108.3
Opening Cash Position	12,534.0	13,346.3	812.3
Net Cash Flow	(7,588.2)	(479.9)	7,108.3
Closing Cash Position	4,945.8	12,866.4	7,920.6

26. The March 19 Cash Flow assumed that both the Engines business and the Components business would be operating during the period of the CCAA. These operations were shut down on March 20, 2012 resulting in significant positive and negative variances from the March 19 Cash Flow.
27. The collection of receipts has been delayed due to the uncertainty surrounding the business and in certain instances is being linked to the return of third party assets which as noted above is a process that will require time to complete. During the period the Company collected \$1.6 million in respect of accounts receivable for the Engines business.
28. The disbursements during the period were significantly lower than forecast as the Company was not operating during this period. Costs incurred include certain post filing payroll amounts, security costs, rent and professional fees.

THE REVISED CASH FLOW FOR THE PERIOD MARCH 31, 2012 TO MAY 4, 2012

29. The Company has prepared a revised cash flow for the period March 31, 2012 to May 4, 2012 (the (“**March 31 Cash Flow**”) which is attached to this report as Appendix A. The March 31 Cash Flow shows a minimum cash balance during the period of \$2.7 million and is summarised below.

\$000's	
Cash Receipts	
Cash receipts from A/R	5,191.6
Other	-
Total Receipts	5,191.6
Cash Disbursements	
Payroll & Benefits	8,297.7
Operating Expenses	2,568.4
Professional Fees	4,464.4
Sales Tax	-
Other	-
Total disbursements	15,330.5
Change in Cash	(10,138.9)
Opening Cash	12,866.4
Change in Cash	(10,138.9)
Closing Cash	2,727.5

30. The key assumptions of the March 31 Cash Flow are as follows:
- (a) Receivables includes amounts that the Company and the CRO reasonably believe can be collected during the period as the amounts are due and owing and relate to completed work;
 - (b) Payroll includes:
 - (i) wages and benefits for post-filing continuing employees;
 - (ii) the payment of \$6.2 million in pre-filing wages as requested in the Company's motion; and
 - (iii) the first payment in respect of the incentive payment program for certain employees, as described in greater detail below;
 - (c) Operating disbursements are in respect of normal post-filing operating costs including rent, insurance, utilities etc.
 - (d) Other operating costs is designed to capture atypical or unexpected costs that have not been identified as normal operating costs;

- (e) Sales Taxes includes remittances of sales taxes based on forecasted activity;
 - (f) Professional fees include the fees of the CRO, the Monitor and legal counsel;
31. Given the interruption of operations and the lack of additional funding, cash preservation is of the utmost importance to sustain a restructuring which should allow the sale of assets as business units and avoid a piecemeal liquidation of assets. In assessing the March 31 Cash Flow, two (2) important deferred obligations must be considered as well:
- a) the CRO has implemented a deferred incentive payment plan for certain employees of Aveos whose knowledge and assistance is considered vital to the success of the process. This program is designed to recognize the risk for employees inherent in a current situation, the limited time frame of anticipated employment and the balance between the limited availability of funds and the need to maintain knowledge within the Company in order to achieve an orderly sale and the timely return of assets to third parties. The program offers payments based on length of service during the CCAA Proceedings to certain key employees. In the event that an employee with a deferred incentive payment terminates their employment prior to end of their retention period and forfeits their incentive amount, these funds will be used to provide incentive payments to other employees, as considered appropriate by the CRO, to maintain knowledge within the organization.
 - b) the CRO and the Monitor have been informed recently that certain pre-filing statutory remittances including employer and employee Canada Pension Plan, Employment Insurance and income tax remittances had not been paid in the ordinary course due to the filing of the CCAA. These payments, in the amount of \$2.6 million, were not previously identified and had not been included in Company cash flows most likely due to the fact that rather than being paid at

the time that the payroll is paid, these funds are remitted separately and at a later date. The CRO has informed the Monitor that he understands the priority afforded to these amounts however payment at this time would impair the ability of the CRO to fulfil his mandate and therefore payment of these amounts will occur at a later date from proceeds realized from the sale of assets. This payment is not included in the March 31 Cash Flow.

THE DIRECTORS' CHARGE AND THE ADMINISTRATIVE CHARGE

32. The Initial Order included a charge in favour of the Directors in the amount of \$5 million. This charge is in effect to protect the Directors' from liabilities that may be incurred post filing. In preparation for the CCAA filing it was calculated that the pre-filing obligations in respect of employees and other director's liabilities such as sales taxes totalled approximately \$17.5 million. The estimated obligations in respect of employees, excluding any obligations for severance and termination that may arise post filing, and sales taxes, prior to the shut down of operations, was expected to total approximately \$10.6 million per month and based on this information, the Directors' Charge was negotiated between the Company and the Lenders at \$5 million.
33. Following the course of events outlined in the Monitor's First Report, the directors chose to resign after it was determined that the Debtors would need to suspend their operations and terminate the employment of most of its workforce.
34. Although very unfortunate, this possible outcome was raised in the Motion for the Initial Order and more importantly during the initial hearing before this Court prior to the issuance of the Initial Order.
35. The Monitor understands that the granting of the Directors' Charge may with hindsight give the impression or create the impression that the directors were given an undue advantage.

36. Without commenting on the perils or re-evaluating with hindsight a judicially created Directors' Charge, after the crystallization of post-filing liabilities which said charge purported to cover, the Monitor wishes to inform the Court that based on its evaluation to date:
- (a) the directors may face post filing liabilities in excess of \$10 million following the termination of employees on March 20, 2012;
 - (b) the creation of the Directors' Charge affects only the economic position and recovery of the Lenders (assuming the validity and enforceability of the Lenders' security). As stated in the Motion for the Initial Order, the principal amount owing to the Lenders or Third Party Secured Lenders (as defined in the Motion for the Initial Order) totals 198.3 million;
 - (c) the Lenders supported the Directors' Charge;
 - (d) to date, no creditor has informed the Monitor that it wished to contest the Directors' Charge;
 - (e) the Directors' Charge can only be triggered should the Directors & Officers insurance coverage in place be denied or be insufficient, without any right of subrogation in favour of any insurer;
 - (f) the Directors' Charge is unlikely to be detrimental to the potential recovery of unsecured creditors, yet it may be beneficial to the terminated employees of the Debtors (subject to the protection afforded to them pursuant to 6(5) CCAA and the *Wage Earner Protection Act*) who could ultimately be the beneficiaries of this charge.
37. The Administrative Charge was calculated as an estimate of the potential billing fees outstanding during a single billing cycle. A single billing cycle represents approximately 45 to 60 days, including each group of professionals representing the Company, the Proposed Monitor, and their respective counsel as well as counsel and advisors to the Lender.

THE DEBTORS REQUEST FOR DIRECTIONS IN RESPECT OF THE PAYMENT OF CERTAIN AMOUNTS TO EMPLOYEES

38. The Company has filed a motion seeking directions with respect to the payment of the pre-filing wages of employees to a maximum of \$6.3 million. This request has been put forward by the CRO in recognition of the benefit to employees and the priority that would be afforded to employees for certain amounts in a receivership or in a bankruptcy.
39. The CRO has gained the support of the Lenders and the payment of these amounts at this early stage would alleviate to some extent the difficult circumstance created by the sudden termination of employment for approximately 2600 former employees of the Company.

Row Labels	Count of Personnel Number	Sum of Unpaid Wages up to March 18	Sum of Employer Payroll Contributions (7.76%)*	Sum of Total Unpaid Wages up to Mar 18
Retained				
Management	81	158,051	12,265	170,316
Union	15	27,097	2,103	29,199
Retained Total	96	185,147	14,367	199,515
Terminated				
Management	342	536,992	41,671	578,663
Union	2,227	5,069,315	393,379	5,462,694
Terminated Total	2,569	5,606,307	435,049	6,041,357
Grand Total	2,665	5,791,455	449,417	6,240,871

40. The Monitor supports the payment these amounts as per the conclusions of the motion.

THE AEROTURBINE AND AIR CANADA MOTIONS

41. On March 28, 2012, Aeroturbine served the Aeroturbine Motion, requesting that the stay be lifted to allow Aeroturbine to reclaim certain inventory and parts, Aeroturbine claims that:
- (a) It has a right of ownership over spare parts subject to a certain “Airframe Spare Parts Inventory Lease and Consignment Title Retention Agreement” (P-1);
 - (b) Said right of ownership over the inventory subject to said “Airframe Spare Parts Inventory Lease and Consignment Title Retention Agreement” (P-1) as duly registered under the Quebec Register for personal and moveable real rights (at par. 10 of Aeroturbine Motion);
 - (c) An amount in excess of USD\$1.3 million was owing to it by the Debtors as at March 15, 2012;
 - (d) On March 14, 2012, Aeroturbine sent a termination notice to the Debtors with immediate effect; and
 - (e) On March 15, 2012, Aeroturbine sought, obtained and executed a writ of seizure before judgement against property in the Province of Quebec in the possession of Aveos.
42. With respect to the property to be seized and/or revendicated by Aeroturbine outside of the Province of Quebec, the Monitor has not received to date a satisfactory description of the property, nor any proof of registration of any valid security interest or ownership right in favour of Aeroturbine.
43. On April 2, 2012, the Debtors received service of the Air Canada Motion, which has been the subject of extensive discussions, meetings and exchanges to date. The Monitor is satisfied that the Debtors are working diligently towards a satisfactory resolution of the issues raised by the Air Canada Motion.

44. In order to deal with the Aeroturbine and Air Canada Motions, as well as any other repossession claims brought by any third party claimant, the Monitor recommends that the Company be authorized to release third party property, whether tangible or intangible, and also including electronic data and records, and/or any documentation necessary or incidental to the return of such property, including, but not limited to, records, specifications, manuals, reports, tracing certifications, subject to; (i) proper identification by the third party claimant and the Company; (ii) settlement of any outstanding amounts owing to the Company or satisfactory arrangements securing the full payment thereof; (iii) providing proper documentation establishing title or a valid security interest; the whole subject to the prior written approval of the Monitor. The Company should also be authorized to negotiate and execute any and all necessary documents or agreements to give full effect, facilitate or govern the terms of any such release of property, as may be required, including consents, authorizations, directions, and declarations of settlement out of court, the whole subject to the prior written approval of the Monitor.

THE DND CONTRACT

45. As described in more detail in the CRO's First Report, the Company supplies services to the DND and at the request of the DND these services were continuing to be provided post filing. The DND contract expires in July 2012 and is serviced by Air Canada employees seconded to Aveos. The CRO is currently reviewing the options with respect to the DND contract taking into consideration the short term nature of the existing contract and the current circumstances of the Company.

THE CRO'S PROPOSED STRATEGY FOR THE REALIZATION OF ASSETS

46. The CRO, the Lenders and the Monitor have each received numerous calls and emails from parties interested in the purchase of specific assets and more

importantly the purchase of the various business units. The CRO has been assisting parties with arrangements to tour the facilities.

47. The CRO's strategy with respect to a proposed sale process and the likelihood of (a) transaction(s) *en bloc* for one or more of the Debtors' business units is described in the CRO's First Report.
48. The Monitor is of the view that an extension of the CCAA will provide an opportunity to properly engage with these parties, establish a sales process and determine if a suitable deal can be negotiated for the sale of one or more of the business units, which would ultimately benefit the widest group of stakeholders.

THE DEBTORS' REQUEST FOR AN EXTENSION OF THE STAY TO MAY 4, 2012

49. The Company has brought a motion before this honourable court requesting an extension of the stay of proceedings until May 4, 2012. The March 31 Cash Flow demonstrates that the Company has sufficient liquidity during this period to conduct operations and meet its obligations in the ordinary course.

CONCLUSION

50. The Monitor is of the view that the relief requested by the Debtors in respect of the payment of pre-filing wages owed to employees is fair and appropriate and that such relief should be granted as requested.
51. The Monitor is of the view that an extension of the CCAA is reasonable and appropriate and will allow time and opportunity for the CRO to formulate a sales strategy, which may represent the only possibility for an outcome that could benefit a broader group of stakeholders and recommends that the relief sought by the Debtors as requested be granted.

The Monitor respectfully submits to the Court this Second Report.

Dated this 3rd day of April, 2012.

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



On behalf of:
Greg Watson
Senior Managing Director



Toni Vanderlaan
Managing Director

Appendix A

The March 31 Cash Flow

**Aveos Fleet Performance
Cash Flow Projections**

		6-Apr	13-Apr	20-Apr	27-Apr	4-May	Total
		\$	\$	\$	\$	\$	
Cash Receipts							
Cash receipts from A/R	Note 4	471,059	1,629,938	2,559,673	326,073	204,865	5,191,608
Other							
Total Receipts		<u>471,059</u>	<u>1,629,938</u>	<u>2,559,673</u>	<u>326,073</u>	<u>204,865</u>	<u>5,191,608</u>
Cash Disbursements							
Payroll & Benefits	Note 5	1,003,243	6,390,871	422,897	100,000	380,720	8,297,732
Operating Expenses	Note 6	354,424	557,470	183,848	546,298	926,339	2,568,378
Professional Fees	Note 7	2,307,897	910,000	427,500	426,000	393,000	4,464,397
Total disbursements		<u>3,665,565</u>	<u>7,858,341</u>	<u>1,034,244</u>	<u>1,072,298</u>	<u>1,700,059</u>	<u>15,330,507</u>
Change in Cash		(3,194,506)	(6,228,404)	1,525,429	(746,224)	(1,495,194)	(10,138,898)
Opening Balance (Book)		<u>12,866,389</u>	<u>9,671,883</u>	<u>3,443,479</u>	<u>4,968,908</u>	<u>4,222,684</u>	<u>12,866,389</u>
Closing Balance (Book)		<u><u>9,671,883</u></u>	<u><u>3,443,479</u></u>	<u><u>4,968,908</u></u>	<u><u>4,222,684</u></u>	<u><u>2,727,490</u></u>	<u><u>2,727,490</u></u>

Notes:

- 1 The purpose of this cash flow projection is to determine the liquidity requirements for the Company during the initial stage of the CCAA proceedings.
- 2 The cash flow projection is presented on a consolidated basis for Aveos Fleet Performance Inc. and Aero Technical US Inc.
- 3 The cash flow projection is based on the assumption that the Company will operate in accordance with the Order of the Court.
- 4 Cash receipts are based on the Company's estimate of collection and future billing activities.
- 5 Includes payroll and benefits for certain Pre and Post CCAA expenses.
- 6 Includes Rent, Insurance, Security, IT, and other operating expenses
- 7 Professional fees consist of CRO, Monitor, and legal fees and expenses

These projections are based on currently available information and estimates which may or may not prove to be correct. All projections involve risks, variables, and uncertainties. The Company's actual results may differ from the projections. Consequently, no guarantee is presented or implied as to the accuracy of the projections.