

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

Skyservice Airlines Inc.

SECOND REPORT OF THE RECEIVER

June 10, 2010

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

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

INTRODUCTION

1. On March 31, 2010 (the “**Date of Receivership**”), FTI Consulting Canada Inc. was appointed as receiver (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Property**”) of Skyservice Airlines Inc. (“**Skyservice**” or the “**Company**”) pursuant to the order of the Honourable Mr. Justice Gans (the “**Receivership Order**”) granted upon the application of Thomas Cook Canada Inc. (“**TCCI**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act (Canada)* (the “**BIA**”) and section 101 of the *Courts of Justice Act (Ontario)*.

2. The Receiver's first report dated April 14, 2010 (the "**First Report**") was filed in support of the Receiver's motion for, among other things, approval for the Receiver to enter into aircraft return agreements, the aircraft return indemnity agreements and the responsible person agreements with lessors and others to govern the return of aircrafts leased by Skyservice and related arrangements (the "**Aircraft Return Protocol**"). Pursuant to an Order made in the receivership proceedings dated April 15, 2010, Mr. Justice Morawetz approved the Aircraft Return Protocol (the "**Aircraft Return Order**").

3. The purpose of this, the Receiver's Second Report, is to inform the Court of the following:

- (i) The activities of the Receiver since April 14, 2010, the date of the Receiver's First Report;
- (ii) Receipts and disbursements for the period from March 31 through May 28, 2010;
- (iii) The return of the ten aircraft under the Aircraft Return Protocol;

and to request the granting by this Honourable Court of:

- (iv) An order approving the payment of the Break-Fee, as hereinafter defined, in the circumstances set out in the agreement of purchase and sale, as amended, between Skyservice Airlines Inc., acting by its Receiver, and 2157565 Ontario Inc. dated May 25, 2010 (the "**Fasken Agreement**") in respect of Skyservice's premises located at 31 Fasken Drive, Toronto (the "**Fasken Property**");
- (v) An order approving the marketing plan and sales process proposed by the Receiver for the sale of Fasken Property and the chattels located therein, as contemplated in the Fasken Agreement (the "**Fasken Marketing Process**"); and

- (vi) An order authorizing the Receiver to enter into and implement the Liquidation Services Agreement dated June 9, 2010 (the “**LSA**”) between the Receiver and Century Services Inc. (“**Century**”).

TERMS OF REFERENCE

- 4. 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. Accordingly, the Receiver 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 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 are as defined in the Receivership Order or the Receiver’s First Report.

ACTIVITIES SINCE THE DATE OF THE RECIEVER'S FIRST REPORT

CASH

6. The Receiver has continued to work with the Company's banks to finalize matters with respect to the pre-receivership accounts. On the Date of Receivership, the Receiver froze all Skyservice accounts and transferred funds to the Receiver's accounts. All foreign currency amounts were converted to Canadian Dollars on transfer. The Receiver has agreed to a small holdback by the banks to cover any additional charge-backs that may occur. As reported in the Receiver's First Report, Sunwing has asserted a claim, including a potential proprietary or trust "interest", over funds held by the Receiver, which claim is yet to be determined.

ACCOUNTS RECEIVABLE

7. The Receiver continues to collect outstanding receivables. Skyservice's books and records show total estimated receivables of approximately \$17.3 million as at Filing Date. However, approximately \$15.5 million is due from parties that could potentially have as yet unquantified counter-claims and potential rights of set off. Collections to date total approximately \$620,000.

INSURANCE

8. The Receiver's insurance advisor reviewed the Company's insurance coverage existing as at the Receivership Date and the Receiver has obtained replacement or additional coverage where considered appropriate. The aircraft insurance policies have now expired or were terminated following the return of the aircraft to the Lessors as described later in this report.

INVENTORY AND EQUIPMENT

9. At the Date of Receivership, Skyservice had inventory and equipment at various locations in Canada, with the majority being located at the Toronto premises, in addition to minor amounts of inventory located in the United Kingdom, the United Arab Emirates, Cuba, the Dominican Republic and Mexico. Inventory and equipment has been consolidated in Toronto where cost effective to do so. Certain other inventory and equipment has been sold locally. The costs of realization and practical difficulties may make the realization of certain inventory and equipment at remote locations unfeasible.

THIRD PARTY ASSET CLAIMS

10. The Receiver has received claims for ownership of assets in the possession of Skyservice from 22 different companies to date. All documentation provided by the companies has been forwarded to the Receiver's legal counsel for review. The Receiver is working with the parties with valid ownership to their assets to return the goods to them. To date the Receiver has accepted the claims of 11 parties.

CLAIMS UNDER SECTION 81.1 OF THE BIA ("30-DAY GOODS CLAIMS")

11. The Receiver received three small 30-day good claims pursuant to section 81.1 of the BIA. Two of the claims have been allowed and the goods in question have been returned. The third claim was disallowed and the disallowance was not disputed within the statutory timeframe.

EMPLOYEES

12. On the Date of Receivership, Skyservice had 1,088 full- or part-time employees. Since the Date of Appointment the Receiver, on behalf of the Company, has issued 1,054 letters of termination. Skyservice continues to retain 34 people to assist with the Receivership, including certain employees specifically identified on the Aircraft Maintenance Organization certificate (“AMO”) issued to Skyservice by Transport Canada. The AMO has been maintained as it was required in order to perform maintenance on registered aircraft prior to their return to Lessors and is required to certify parts and tools, which certification is expected to increase asset realizations.

TRUST FUNDS

13. On March 25, 2010, prior to the Date of receivership, Skyservice forwarded \$7.4 million to its legal counsel, Cassels Brock & Blackwell LLP (“Cassels”), to be held in trust for certain amounts that may be owing to employees, amounts that may be owing pursuant to the *Workers Compensation Act*, (Manitoba) and amounts that may be owing in respect of the Air Travellers Security Charge (“ATSC”).
14. The Receiver understands from Cassels that approximately \$6.3 million was paid out of the trust funds prior to the appointment of the Receiver. Since the Date of Receivership, the Receiver has consented to Cassels making additional payments totalling approximately \$0.9 million from the trust funds.
15. Based on the information provided by Cassels, current trust fund balances are summarized as follows:

	Employee	WCB	ATSC	Total
	\$000	\$000	\$000	\$000
Initial Amount	6,300	4	1,100	7,404
Pre-receivership Payments	5,218	4	1,053	6,275
Post-receivership Payments	858	0	0	858
Current Balance	224	0	47	271

16. The Receiver intends to assist Cassels in the determination of any final amounts that are payable from the trust funds and discuss arrangements for the release of any surplus with Cassels. To the extent that it is determined that an Order of the Court is necessary or advisable in respect of the foregoing, the matter will be the subject of a subsequent motion.

WEPPA

17. In accordance with the *Wage Earners Protection Program Act* (Canada) (“**WEPPA**”), the Receiver provided the required information to individuals within 45 days of the Receivership. The Receiver will be providing the required information to Service Canada by June 15, 2010 or such later date as agreed to by Service Canada in accordance with the provisions of WEPPA.
18. The Receiver has also posted information pertaining to WEPPA on its website, and continues to respond to inquiries via email and phone as the messages are received.

UNIONS

19. The Receiver has been in contact with representatives of each of the four unions that represent employees of Skyservice: the Skyservice Cabin Crew Association (“**SCCA**”), the Skyservice Pilots’ Association (“**SkyPAC**”), Canadian Airlines Dispatchers Association (“**CALDA**”) and the Canadian Auto Workers (“**CAW**”).

20. The Receiver has been in discussions with SCCA and SkyPAC, and has responded to specific requests for training and safety information. The Receiver has photocopied and prepared the information requested and will release the information upon payment from each of SCCA and SkyPAC as reimbursement to the Receiver for costs incurred to reasonably respond to the specific union requests.

LEASED PREMISES

21. As at the Date of Receivership, the Company had leased premises at Mississauga, Montreal, Ottawa, Calgary, Winnipeg, Vancouver, Edmonton and Saskatoon. The Receiver reviewed the leases and concluded that there was no realizable value.
22. The lease for the Mississauga training facility was disclaimed effective April 15, 2010. The remaining real property leases were disclaimed by May 15, 2010.

CRA AUDITS

23. CRA has completed audits in respect of the Company's pre-receivership GST filings, ATSC amounts and airport improvement fees ("AIF"). No significant issues were identified.

WEBSITE AND RECEIVER CONTACTS

24. The Receiver has established a website at <http://cfcanada.fticonsulting.com/skyservice> at which the Receiver will post periodic updates on the progress of the receivership, together with copies of court orders, motion materials and reports filed in the receivership. In addition, the Receiver has created a dedicated email address, skyservice.receiver@fticonsulting.com, and a dedicated telephone number, 1-888-679-5969, which creditors, employees, interested parties and other stakeholders can use to contact the Receiver.

SALES OF ASSETS TO DATE

25. Pursuant to the Receivership Order, the Receiver is empowered and authorized by the Court to market and sell the Property or any part or parts thereof, provided that any individual transaction may not exceed \$750,000 and that the aggregate consideration for all such transactions may not exceed \$3,000,000. To date, the Receiver has completed sales of tourist cards, alcoholic beverages and perishable products for aggregate consideration of \$92,000.

ESCROW AMOUNTS

26. Skyservice was acquired by its current owners pursuant to statutory plan of arrangement in 2007. Consideration in respect of the transaction was paid almost entirely in cash with several contingent amounts (totalling approximately \$17.2 million) placed in escrow at the time. Portions of the escrow funds have been released throughout the last few years, upon satisfaction of specific requirements set out in the applicable agreements with the selling shareholders (the “**Vendor**”). As of May 25, 2010, there is approximately \$7.2 million currently in the escrow accounts.
27. The remaining escrowed amounts are subject to claims by Skyservice that relate to:
 - (i) Breaches of representations and warranties; and
 - (ii) Financial performance thresholds from 2008.
28. The Receiver has been in discussions with representatives of the Vendor regarding the escrowed funds and Skyservice claims, and is in the process of determining next steps toward resolving the disputes and the treatment of the remaining escrowed funds.

RECEIPTS AND DISBURSEMENTS FOR MARCH 31 TO MAY 28, 2010

29. The excess of receipts over disbursements for the period from March 31, 2010 to May 28, 2010 (the “**Period**”), totalled approximately \$8.6 million, as summarized below:

	\$000
Receipts	
Cash	8,852
Sales	92
Collections under Aircraft Return Agreements	2,448
Accounts Receivable	620
Miscellaneous	122
Total Receipts	12,134
Disbursements	
Occupancy Costs	34
Payroll	1,059
Operating Costs	268
Legal & Professional	2,033
GST	107
Total Disbursements	3,501
Excess of Receipts over Disbursements	8,633

30. In addition to the foregoing, the Receiver currently estimates that it has incurred approximately \$600,000 in accrued obligations, primarily in respect of payroll-related costs, legal and professional fees and other miscellaneous operating costs.

RETURN OF AIRCRAFT

31. As described in the Receiver’s First Report, Skyservice had ten leased aircraft located in Canada on the Date of Receivership.
32. Since the date of the First Report, the Receiver and its legal counsel have been working closely with representatives of the aircraft Lessors and their legal counsel to return the aircraft to the Lessors, including:
- (i) Negotiating and executing the Aircraft Return Agreements, Aircraft Return Indemnity Agreements and Responsible Person Agreements;

- (ii) Collecting amounts owing under the Aircraft Return Agreements;
 - (iii) Compiling aircraft records, historical technical compliance reports, substantiating airframe, engine and component times and their Airworthiness Directive status;
 - (iv) Providing documentation supporting hard time component certifications to substantiate aircraft airworthiness status and enable an assessment of the outstanding maintenance programme requirements necessary to obtain a valid certificate of airworthiness; and
 - (v) Providing the documentation required at lease termination.
33. All ten aircraft were returned to the Lessors by April 30, 2010 and have now been deregistered by Skyservice. Pursuant to the Aircraft Return Agreements, the Receiver collected \$856,000 in deposits in respect of return costs and approximately \$1.592 million in respect of accounts receivable showing as owing by the Lessors on the Skyservice books and records. These amounts were collected, subject to agreement with the Lessors on the actual amounts owing in each case.

THE FASKEN AGREEMENT AND THE BREAK-FEE

34. As described in the Receiver's First report, Skyservice owns the Fasken Property, which served as Skyservice's head office and is located at 31 Fasken Drive in the city of Toronto, Province of Ontario. Prior to the Date of Receivership, Skyservice had obtained a number of listing proposals from real estate agents for the listing of the Fasken Property, although no listing agreement had been signed. Following its appointment, the Receiver was contacted by a number of parties who expressed an interest in acquiring the Fasken Property. In addition, the Receiver was contacted by several real estate agents who offered their services to market the Fasken Property.

35. In mid-April 2010, the Receiver invited each of the interested parties to submit expressions of interest to the Receiver by April 30, 2010. The Receiver also invited each of the real estate agents who had expressed an interest in marketing the property to submit listing proposals to the Receiver by April 30, 2010.
36. Having reviewed the listing proposals and expressions of interest received, the Receiver determined that realizations for the sale of the Fasken Property may be maximized by undertaking a “stalking horse” sales process. To that end, the Receiver has caused Skyservice to enter into, subject to Court Approval and subject to the right to seek higher offers, the Fasken Agreement. The key terms of the Fasken Agreement, a copy of which is attached hereto as Appendix A, are summarized as follows:
- (i) A purchase price of \$5.3 million for the purchased assets, being the Fasken Property and the chattels located therein. A deposit of \$750,000 has been paid by the Purchaser and the balance of the purchase price has been placed in escrow with the Purchaser’s solicitors;
 - (ii) The Vendor has the right to solicit higher offers under a “stalking-horse” process for 45 days from the date of the Process Order (as defined below);
 - (iii) If the Purchaser is not the successful bidder in the marketing process, they shall be paid a break-fee of \$160,000 (the “**Break-Fee**”) from the proceeds of the sale of the purchased assets; and
 - (iv) Closing is to occur within 60 days of the Process Order.
37. The Purchaser has waived its due diligence condition and the Fasken Agreement is now conditional only upon:

- (i) the Vendor obtaining an order of the Court, in form and content satisfactory to it, acting reasonably (the “**Process Order**”) by June 10, 2010 (subsequently amended to June 16, 2010), authorizing the Vendor to enter into the Fasken Agreement, to conduct the marketing process contemplated by Section 4(a) of the Fasken Agreement and to pay the Break-Fee in accordance with Section 4(a) of the Fasken Agreement;
 - (ii) The Purchaser being the successful bidder in the marketing process; and
 - (iii) The granting of an approval and vesting order.
38. The Receiver believes that the Fasken Agreement is beneficial and as a “stalking-horse” in the proposed marketing process, it will enable the Receiver to achieve the highest and best realization for the Fasken Property and other purchased assets. Furthermore the Receiver is of the view that the Break-Fee is reasonable and warranted in the circumstances. Accordingly, the Receiver respectfully seeks approval of the Break-Fee.

THE FASKEN MARKETING PROCESS

39. Both the Purchaser and the Receiver recognize that there may be parties that are prepared to pay a higher price for the Fasken Property than the purchase price under the Fasken Agreement. Accordingly, the Receiver proposes that a marketing of the Fasken Property to be followed by an auction if other “qualified bidders” are identified. Pursuant to the Fasken Agreement, the Purchaser has agreed to this approach.
40. The Receiver now seeks approval of a marketing process in respect of the Fasken Property (the “**Fasken Marketing Process**”) as follows:

- (i) A list of potential buyers (“**Potential Buyers**”) has been identified through independent research and parties who have contacted the Receiver. Potential Buyers will be approached and the opportunity to acquire the Fasken Property introduced;
- (ii) Major commercial real estate brokerage companies will also be advised of the opportunity;
- (iii) An advertisement will be placed in the national edition of the Globe and Mail as soon as practicable following Court approval of the Fasken Marketing Process;
- (iv) Interested parties will be provided with detailed information regarding the Fasken Property to enable them to perform due diligence;
- (v) Interested parties and the real estate brokerage companies will be advised that a commission of up to 1.5% will be paid to a licensed real estate agent (the “**Agent**”) representing the ultimate purchaser of the Fasken Property (the “**Fasken Purchaser**”), but only upon the closing of the sale and from the proceeds of sale;
- (vi) Interested parties will be required to submit a binding offer with a net purchase price exceeding \$5,560,000 (i.e. the purchase price under the Fasken Agreement plus the Break-Fee), after deduction of any applicable Agent’s commission, with a deposit of at least 15% of the gross purchase price, and otherwise on the same or better terms than the Fasken Agreement using a template agreement (the “**Fasken Template Agreement**”) that will be provided by the Receiver and will be based on the Fasken Agreement. Offers must be submitted by no later than 5:00 p.m. Toronto Time, Friday July 30, 2010 (the “**Fasken Bid Deadline**”). The Receiver will determine in its sole discretion if an offer constitutes a superior offer.

- (vii) In the event that a Superior Offer is received by the Receiver from a party other than the Purchaser under the Fasken Agreement (a “**Qualified Bidder**”), the Receiver will conduct an auction (the “**Fasken Auction**”), the specific mechanics, terms, and conditions of which will be set by the Receiver substantially as follows:
- (a) The Fasken Auction, if any, will be conducted by the Receiver, commencing at 10 a.m. Toronto time on or around the date that is 3 business days after the Fasken Bid Deadline or such other date as the Receiver may determine in its sole discretion and may be conducted by e-mail;
 - (b) Bidding will proceed in windows of approximately fifteen minutes each (a “**Bid Window**”) or such other time periods as the Receiver may determine in its sole discretion. At the start of each Bid Window, the Receiver will communicate to each Qualified Bidder then participating in the Fasken Auction (the “**Fasken Participating Bidders**”) the details of the current best offer, but not the identity of the leading bidder;
 - (c) During each Bid Window, Fasken Participating Bidders may submit a bid which is at least \$50,000 (after deduction of any applicable Agent’s commission) higher than the then current leading bid (a “**Revised Bid**”);
 - (d) A Fasken Participating Bidder that does not submit a Revised Bid on terms (aside from price) acceptable to the Receiver during any given Bid Window (other than the final Bid Window) will be eliminated from the Fasken Auction and will not be permitted to submit any further bids;

- (e) If no Fasken Participating Bidder submits a Revised Bid during any given Bid Window or if only one Fasken Participating Bidder submits a Revised Bid during any Bid Window, the Fasken Auction will be concluded whereupon the Receiver will enter into a binding agreement of purchase and sale with the Fasken Participating Bidder that submitted the leading bid prior to that final Bid Window on terms (aside from price) acceptable to the Receiver and seek Court approval thereof at the earliest reasonable opportunity; and
- (f) If no Fasken Qualifying Bid is submitted by the Fasken Bid Deadline, the Fasken Marketing Process will end and the Receiver will seek the approval of the Court to complete the transaction contemplated in the Fasken Purchase Agreement.

41. The Receiver believes that the Fasken Marketing Process should achieve the highest and best realization of the Fasken Property and related assets in the circumstances and respectfully requests that this Honourable Court approve the Fasken Marketing Process.

THE LSA

42. Since the Date of Receivership, the Receiver has been contacted by numerous parties expressing interest in the Skyservice inventory of parts and equipment (the “**P&E Assets**”). Given the nature of the P&E Assets and the degree of interest, the Receiver has concluded that the most efficient and effective way of realizing on the P&E Assets will be through a liquidation auction conducted by a professional liquidator as agent for the Receiver.

43. To that end, the Receiver contacted a number of liquidators and requested that they submit proposals for the liquidation of the P&E Assets by no later than April 23, 2010. Four proposals were received by that date (the “**Initial Proposals**”).
44. The Receiver reviewed the Initial Proposals and determined that there was no clear leading proposal. The liquidators were therefore given the opportunity to improve their proposals, with revised proposals to be submitted by April 30, 2010. Four revised proposals (the “**Revised Proposals**”) were submitted by that date.
45. A summary of the Revised Proposals has been prepared by the Receiver and has been designated as confidential Appendix B to this report. The Receiver is of the view that disclosure of the financial terms of the Revised Proposals may be detrimental to the realization process and is therefore seeking a Sealing Order in respect of Appendix B. Accordingly, Appendix B has not been attached hereto, pending the Court’s decision on the Receiver’s request.
46. The Receiver assessed the four Revised Proposals based on their terms and projected recovery to the Receiver under various assumptions of gross proceeds of realization. The Revised Proposals were comparable in terms of potential recoveries, but the proposal submitted by Century provided the highest net minimum guarantee. Accordingly, the Monitor proceeded to negotiate a definitive liquidation services agreement with Century. The LSA, a copy of which (without schedules) is attached hereto as Appendix C with the financial terms redacted, was executed on June 9, 2010.
47. The Receiver is of the view that approval and implementation of the LSA will provide for the most efficient and effective method of realizing on the P&E Assets. Accordingly, the Receiver seeks approval by this Honourable of the LSA.

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

Dated this 10th day of June, 2010.

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



for Jamie T Engen
Managing Director

Appendix A

The Fasken Purchase Agreement

AGREEMENT OF PURCHASE AND SALE

This agreement (this "Agreement") dated May ^{25th}, 2010 between 2157565 Ontario Inc. (the "Purchaser") and FTI Consulting Canada Inc., in its capacity as court-appointed receiver of all the assets, undertakings and properties of Skyservice Airlines Inc. ("Skyservice") acquired for or used in relation to a business carried on by Skyservice (the "Vendor"), provides for the purchase of the Purchased Assets (as defined herein) For good and valuable consideration, the receipt and adequacy of which are acknowledged, the Purchaser and Vendor agree as follows:

1. **Definitions.** For the purposes of this Agreement:

"**Approval and Vesting Order**" means an order of the Court approving this Agreement, exempting this Agreement from the application of the Bulk Sales Act (Ontario) and vesting all right, title and interest of Skyservice in the Purchased Assets to the Purchaser on closing free and clear of all Liens (save and except for the Permitted Encumbrances).

"**Buildings**" means, collectively, all buildings, structures, improvements, erections, appurtenances and fixed equipment located on, in or under the Lands, and "Building" means any one of the Buildings.

"**Chattels**" means the inventory, supplies, equipment, machinery, furnishings, furniture, chattels and all other tangible personal or movable property owned by Skyservice and used exclusively in connection with the ownership, operation, maintenance or management of the Lands and Buildings, in each case to the extent the same are located on the Lands.

"**Contracts**" means the existing contracts and agreements entered into by or on behalf of Skyservice or by which Skyservice is bound, in each case with third parties, with respect exclusively to the ownership, development, maintenance, repair and operation of the Lands and Buildings, which are listed and more particularly set out in Schedule A, in each case to the extent the same are assignable, but excluding any insurance policies, Leases, Permitted Encumbrances and any property management contract or contracts with respect to the Lands and Buildings.

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

"**Excluded Assets**" means the property and assets listed and described in Schedule B.

"**Lands**" means the land and premises municipally known as 31 Fasken Drive, Toronto, Ontario, as more particularly described in Schedule C to this Agreement.

"**Leases**" means, collectively, leases, offers to lease, agreements to lease, renewals of leases, and other rights or licences granted by Skyservice or its predecessors in title to possess or occupy space within the Lands and Buildings, together with all security, guarantees and indemnities of the tenants' obligations thereunder, entered into prior to the date hereof, including, without limitation, the lease agreement dated as of June 1, 2009 between Fly Park Inn Inc., as tenant, and Skyservice, as landlord (the "*Fly Park Inn Lease*"), in each case as amended, renewed or otherwise varied to the date hereof, and "Lease" means any one of the Leases.

"**Liens**" means any mortgage, charge, pledge, hypothec, security interest, assignment, lien (statutory or otherwise), easement, title retention agreement or arrangement, conditional sale, deemed or statutory trust, restrictive covenant or other encumbrance of any nature or any other arrangement or condition which, in substance, secures payment or performance of an obligation.

"**Permitted Encumbrances**" means the Liens and encumbrances listed and described in Schedule D.

"**Purchased Assets**" means the Lands, the Buildings, Skyservice's interest in the Leases, the Chattels and the Assignable Contracts, but excluding the Excluded Assets.

2. **Purchase, Purchase Price and Closing Date.** Subject to the terms of this Agreement, the Purchaser agrees to purchase and the Vendor agrees to sell the Purchased Assets on the terms and conditions set out in this Agreement and for the purchase price (the "*Purchase Price*") of \$5,300,000, payable as to \$750,000 by bank draft to be delivered to the Vendor's solicitors, in trust, by the Purchaser within one Business Day of the execution and acceptance of this Agreement to be held as a deposit (the "*Deposit*") in an interest bearing account or term deposit at a Schedule 1 Canadian Chartered Bank with interest to accrue to the benefit of the Purchaser and the balance, subject to the specific adjustments in Section 13, payable to the Vendor, or as it may direct, by cash or bank

draft on the Closing Date (as defined below). If this Agreement is not completed because: (a) the Purchaser does not waive the condition set out in Section 3(a) hereof; (b) the Vendor does not waive the condition set out in Section 4(c) hereof; (c) as of the Closing Date, the representation and warranty of the Vendor set out in Section 8 of this Agreement is untrue or any of the terms, covenants or conditions of this Agreement to be complied with or performed by the Vendor on or prior to the Closing Date has not been complied with or performed; (d) the Vendor is unable to obtain the Process Order (as defined below) or the Approval and Vesting Order by the dates set out in this Agreement; or (e) the Vendor sells the Purchased Assets (or any portion thereof) to another party pursuant to Section 4(a) of this Agreement, the Deposit, together with all interest accrued thereon, will be returned to the Purchaser within 3 Business Days. If this Agreement is not completed for any other reason, the Deposit, together with all interest accrued, shall be retained by the Vendor. This transaction will be completed on the date (the "Closing Date") which is 3 Business Days after the date on which the Approval and Vesting Order is issued or such earlier date as the Purchaser and Vendor may agree.

The Vendor and the Purchaser shall use reasonable efforts to agree prior to the Closing Date on an allocation of the Purchase Price between the Lands, the Buildings and the Chattels, provided that such agreement shall in no event be a condition of the closing of the transactions contemplated by this Agreement. If the Vendor and the Purchaser do not agree on an allocation, each shall nonetheless file its tax returns with the relevant revenue authorities based on its own reasonable allocation.

3. **Purchaser's Conditions.** The Purchaser's obligation to carry out the transactions contemplated by this Agreement is subject to the satisfaction or waiver by the Purchaser of each of the following conditions by the date specified, which conditions are for the sole benefit of the Purchaser and which may be waived by the Purchaser in its sole discretion:

- (a) **Due Diligence.** By no later than 5:00 p.m. Toronto time on June 2, 2010 (the "Condition Date"), the Purchaser will be satisfied, in its sole and unfettered discretion, of the title to the Purchased Assets and the suitability of the Purchased Assets for the purposes of the Purchaser including, without limitation, engineering, environmental, economic and market feasibility and any other matter whatsoever that may impact on the viability of the investment in the Purchased Assets by the Purchaser and the Purchaser's board of directors will have approved of this Agreement and the transactions contemplated by this Agreement.
- (b) **Closing Date.** As of the Closing Date, the representations and warranties of the Vendor set out in this Agreement will be true and accurate and of the same effect as if made on and as of the Closing Date, and all the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor on or prior to the Closing Date will have been complied with or performed.
- (c) **Approval and Vesting Order.** On the Closing Date, the Court shall have granted the Approval and Vesting Order, and the operation and effect of the Approval and Vesting Order shall not have been stayed, reversed or dismissed at the time of closing and no appeals of such Approval and Vesting Order shall be pending.

If the Purchaser does not give written notice to the Vendor of the satisfaction or waiver of its condition set out in Section 3(a), on or prior to the Condition Date, this Agreement will automatically terminate and the Deposit, together with all accrued interest, will be returned to the Purchaser immediately without deduction. The Purchaser will have no obligation to cause the condition set out in Section 3(a) to be satisfied or waived and the Purchaser may refuse to give written notice of the satisfaction or waiver of such condition in its sole, unfettered and subjective discretion.

If the condition set out in Section 3(c) is not satisfied or waived on or before the date that is 60 days after the date of the Process Order, or if the Purchaser is not the successful bidder pursuant to any auction conducted pursuant to Section 4(a), the Purchaser may terminate this Agreement by notice in writing to the Vendor, in which event the Deposit, together with all interest accrued thereon, shall, subject to Section 2 of this Agreement, be returned to the Purchaser and the Vendor's and the Purchaser's obligations under this Agreement shall be null and void and of no further force or effect whatsoever.

4. **Vendor's Conditions.** The Vendor's obligation to carry out the transactions contemplated by this Agreement is subject to the satisfaction or waiver by the Vendor of each of the following conditions by the date specified, which conditions are for the sole benefit of the Vendor and which may be waived by the Vendor in its sole discretion:

- (a) **Solicitation of Third Party Offers and Auction.** The Vendor shall be permitted to solicit superior offers ("Superior Offers") for the Purchased Assets for 45 days following the date of the Process Order (the "Bid Deadline"). If, in the determination of the Vendor in its sole, unfettered and

subjective discretion, a Superior Offer is received on or before the Bid Deadline, the Vendor shall conduct an auction for the Purchased Assets. The only parties entitled to bid at such auction shall be the Purchaser and any other party that submits a Superior Offer, as determined by the Vendor, acting reasonably. If, at the completion of the auction, the Purchaser is the successful bidder, the Vendor shall, as soon as reasonably practical, seek the Approval and Vesting Order. If, at the completion of the auction, the Purchaser is not the successful bidder, the Deposit, together with all interest accrued thereon, shall be returned to the Purchaser. In addition, if the Purchaser is not the successful bidder, the Purchaser shall be paid the amount of \$160,000 (the "Break-Fee") from the proceeds of sale of the Purchased Assets to another party.

- (b) **Approval and Vesting Order.** On the Closing Date, the Court shall have granted the Approval and Vesting Order, and the operation and effect of the Approval and Vesting Order shall not have been stayed, reversed or dismissed at the time of closing and no appeals of such Approval and Vesting Order shall be pending.
- (c) **Purchaser's Financial Capabilities.** By no later than 5:00 p.m. Toronto time on the Condition Date, the Vendor will be satisfied, in its sole and unfettered discretion, of the financial capabilities of the Purchaser to pay the balance of the Purchase Price and to complete the transactions contemplated by this Agreement.

If the Vendor does not give written notice to the Purchaser of the satisfaction or waiver of its condition set out in Section 4(c), on or prior to the Condition Date, this Agreement will automatically terminate and the Deposit, together with all accrued interest, will be returned to the Purchaser immediately without deduction. The Vendor will have no obligation to cause the condition set out in Section 4(c) to be satisfied or waived and the Vendor may refuse to give written notice of the satisfaction or waiver of such condition in its sole, unfettered and subjective discretion.

If the condition set out in Section 4(b) is not satisfied or waived on or before the date that is 60 days after the date of the Process Order, or if the Purchaser is not the successful bidder pursuant to any auction conducted pursuant to Section 4(a), the Vendor may terminate this Agreement by notice in writing to the Purchaser, in which event the Deposit, together with all interest accrued thereon, shall, subject to Section 2 of this Agreement, be returned to the Purchaser and the Vendor's and the Purchaser's obligations under this Agreement shall be null and void and of no further force or effect whatsoever.

5. **Liability of FTI and Process Order.** The Purchaser acknowledges that, notwithstanding any provision to the contrary herein, FTI Consulting Canada Inc. ("FTI") has entered into this Agreement solely in its capacity as court-appointed receiver of all of the assets, undertakings and properties of Skyservice and not in its personal or corporate capacity and that FTI shall in no circumstances incur any personal liability whatsoever in connection with this Agreement.

In addition to any other conditions contained herein, the parties hereto acknowledge and agree that the obligations of the Vendor hereunder are conditional upon the Vendor obtaining an order of the Court, in form and content satisfactory to it, acting reasonably (the "Process Order"), by June 10, 2010 (the "Process Order Deadline Date"), authorizing the Vendor to enter into this Agreement, to conduct the marketing process contemplated by Section 4(a) hereof and to pay the Break-Fee in accordance with Section 4(a) hereof. If the Process Order is not obtained by the Process Order Deadline Date, the Deposit, together with all interest accrued thereon, shall be returned to the Purchaser and this Agreement shall terminate and be of no further force or effect whatsoever.

6. **As Is, Where Is.** The Purchaser acknowledges and agrees that:

- (a) on the Closing Date, title to the Purchased Assets shall be subject to the Permitted Encumbrances;
- (b) in entering into this Agreement, except as set forth in this Agreement, the Purchaser has relied and will continue to rely entirely and solely upon its own inspections and investigations with respect to the Purchased Assets, including without limitation, the physical and environmental condition of the Lands and Buildings, and the review of the documentation made available to the Purchaser pursuant to this Agreement, and the Purchaser acknowledges that it is not relying on any information furnished by the Vendor or any other person or entities on behalf of or at the direction of the Vendor in connection therewith; and
- (c) the Vendor is selling the Purchased Assets on an "as is, where is" basis as they shall exist on the Closing Date and no adjustments shall be made for any changes in the condition of any Purchased Assets (other than the specific adjustments in Section 13 below). The Buyer further acknowledges that it has entered into this Agreement on the basis that the Vendor does not warrant, covenant or

guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets, and the nature and quantum of the claims against the Purchased Assets, in each case as it deemed appropriate and has satisfied itself with regard to these matters; no representation, warranty or condition is expressed or can be implied as to title, description, fitness for purpose, merchantability, condition, assignability, collectability, quantity, outstanding amount, value or quality of, or in respect of any Purchased Assets or any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell same, save and except as expressly represented or warranted herein; and without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) do not apply hereto and are hereby waived by the Purchaser. The risk of loss of the Purchased Assets shall remain with the Vendor until the Closing Date and any property, liability and other insurance shall remain the responsibility of the Vendor until the transfer/vesting of the Purchased Assets on the Closing Date.

The Vendor shall have no obligations or responsibility to the Purchaser after the Closing Date with respect to any matter relating to the Purchased Assets or the condition thereof save as otherwise expressly provided in this Agreement. The provisions of this Section 6 shall not merge on, but shall survive, closing on the Closing Date.

7. **Contracts.** On or before the Condition Date, the Purchaser shall notify the Vendor which Contracts it is electing to assume provided that such are, by their terms, assumable; failing which it shall be deemed to have elected to assume all of the Contracts ("Assumed Contracts"). The Vendor shall assign to the Purchaser on the Closing Date only such Assumed Contracts that do not contain a restriction prohibiting the assignment thereof and such Assumed Contracts that contain a restriction prohibiting the assignment thereof but where consent from the counterparty is obtained by the Closing Date (the "Assignable Contracts"). The costs of obtaining such consents shall be borne by the Purchaser. The Vendor will be under no obligation to assign to the Purchaser Assumed Contracts that contain a restriction prohibiting the assignment thereof but where consent is not obtained from the counterparty by the Closing Date.

8. **Vendor's Representations.** The Vendor covenants, represents and warrants to and in favour of the Purchaser that:

(a) **Section 116.** Skyservice is not now, and will on the Closing Date not be, a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act* (Canada).

9. **Vendor's Deliveries.** The Vendor will provide to the Purchaser within 3 Business Days after the date of execution and acceptance of this Agreement:

(a) All plans of survey, plans, specifications and drawings for the Lands and Buildings that, in the actual knowledge of the Vendor, are in the Vendor's possession or control. The Vendor shall make reasonable inquiries with the current Skyservice employees.

(b) Authorizations addressed to such governmental offices, officials and authorities as the Purchaser may reasonably request (such request to be made not more than one day after the date of execution of this Agreement) authorizing disclosure to the Purchaser's solicitors of any matters relating to the Purchased Assets. Such authorizations shall not contain requests for any inspections other than the Purchased Assets.

(c) All documents that, in the actual knowledge of the Vendor, are in the possession or control of the Vendor pertaining to the environmental status of the Lands and Buildings, including all audits, permits, test reports or certificates of approval in respect of any environmental matters in connection with the Lands and Buildings. The Vendor shall make reasonable inquiries with the current Skyservice employees.

(d) The Leases (including, without limitation, the Fly Park Inn Lease) and the Contracts pertaining to the Lands and Buildings that, in the actual knowledge of the Vendor, are in the Vendor's possession or control. The Vendor shall make reasonable inquiries with the current Skyservice employees.

10. **Interim Period.** From the date of this Agreement until the Closing Date (the "*Interim Period*"), the Vendor will allow the Purchaser, its representatives and advisers reasonable access to the Purchased Assets during normal business hours at times arranged by appointment with the Vendor to inspect and carry out non-intrusive and non-destructive tests and investigations of the Lands and Buildings including, without limitation, to conduct and complete due diligence and planning with respect to the Purchased Assets, subject to restrictions, if any, contained in

the Leases. The Purchaser hereby indemnifies the Vendor with respect to any damage or claim that results from the Purchaser's access, tests or investigations. The Vendor will not enter into any leases, agreements or other instruments affecting the Lands, Buildings or Chattels during the Interim Period without the prior written consent of the Purchaser, which will not be unreasonably withheld or delayed. The Vendor will provide the Purchaser with all information it may reasonably require to decide whether to provide its consent to any such matters.

11. **Permitted Encumbrances.** The Purchaser shall:

- (a) accept title to the Purchased Assets and subject to the Permitted Encumbrances;
- (b) satisfy itself as to the due compliance with the provisions of such Permitted Encumbrances;
- (c) strictly observe, perform and adhere to the covenants, obligations and restrictions imposed on the owner of the Purchased Assets as set out in the Permitted Encumbrances.

12. **Approval and Vesting Order.** Subject to Sections 4(a) and 5 of this Agreement, the Vendor agrees that it will diligently apply to the Court for the Approval and Vesting Order if there is no Superior Offer by the Bid Deadline or if the Purchaser is the successful bidder following the auction contemplated by Section 4(a) of this Agreement. The Purchaser shall promptly provide to the Vendor all such information and assistance within the Purchaser's power as the Vendor may reasonably require to obtain the Court's approval, including without limitation, such information as the Vendor may require to reasonably evaluate the Purchaser's financial ability to perform its obligations under this Agreement.

13. **Adjustments.** Realty taxes, local improvement rates and charges, water and assessment rates and all current rents, including current basic rent and current additional rent and other charges for the Lands and Buildings, prepaid rents to the extent actually received by the Vendor (and interest accrued thereon, if any) after March 31, 2010 (being the date on which FTI Consulting Canada Inc. was appointed court-appointed receiver of all the assets, undertakings and properties of Skyservice acquired for or used in relation to a business carried on by Skyservice), security deposits to the extent actually received by the Vendor (and interest accrued thereon, if any) after March 31, 2010, prepaid amounts (to the extent actually received by the Vendor after March 31, 2010) or current amounts payable under Assumed Contracts on closing, operating costs, utilities, fuel and all other items normally adjusted between a vendor and purchaser in respect of the sale of property similar to the Lands and Buildings will be apportioned and adjusted as of the Closing Date (the day itself to be apportioned to the Purchaser). All right, title and benefit in and to any realty tax refunds or reassessments with respect to the Lands and Buildings for the period commencing on the Closing Date shall be transferred and assigned by the Vendor to the Purchaser on closing. The Vendor and the Purchaser shall jointly direct the municipality to pay any refund or reassessment of realty taxes for the 2010 calendar year to the Vendor and the parties shall readjust the amount of any such refund or reassessment payment between them after the conclusion of any assessment appeal based upon their respective pro rata entitlements thereto (net of any fee payable to any consultant). Notwithstanding the foregoing, the aggregate amount of any adjustments or readjustments pursuant to the undertaking described in Section 15(e) shall not exceed \$100,000 in favour of the Purchaser. Any insurance maintained by the Vendor will not be transferred as of the Closing Date but will remain the responsibility of the Vendor until the Closing Date. The solicitor for the Vendor will deliver a statement of adjustments to the solicitor for the Purchaser not less than 3 Business Days prior to the Closing Date.

14. **Taxes.** The Purchaser shall pay all applicable taxes in addition to the Purchase Price. No goods and services tax or harmonized sales tax will be paid by the Purchaser to the Vendor with respect to the purchase by the Purchaser of the Purchased Assets if the Purchaser provides to the Vendor on or prior to the Closing Date a certificate and indemnity of the Purchaser (a) indicating the Purchaser's registration number for the purposes of the Goods and Services Tax or Harmonized Sales Tax imposed under the Excise Tax Act (Canada) and (b) indemnifying the Vendor for failure of the Purchaser to pay such applicable taxes in connection with the purchase of the Purchased Assets (whether arising from a reassessment or otherwise) and failure to file any returns or other documents required to be filed by the Purchaser with the relevant taxing authorities in connection with the purchase of the Purchased Assets.

15. **Closing Arrangements and Vendor's Deliveries.** Subject to the terms and conditions of this Agreement, this Agreement will be completed at 10:00 a.m. (Toronto time) on the Closing Date at the offices of McCarthy Tetrault LLP in Toronto, Ontario. On the Closing Date, the Vendor will deliver to the Purchaser the following documents:

- (a) **Approval and Vesting Order.** The Approval and Vesting Order. The Vendor shall be responsible for the cost of obtaining and registering the Approval and Vesting Order.

- (b) **Transfer.** The transfer of the Lands, in registerable form, as contemplated by and in accordance with the Approval and Vesting Order. The Purchaser shall be responsible for all costs and expenses (including land transfer tax) relating to the registration of such transfer.
- (c) **General Conveyance.** A general conveyance of the Purchased Assets, which shall include an assignment and assumption of the Leases, Assignable Contracts and Permitted Encumbrances.
- (d) **Certificate.** A Certificate of the Vendor certifying that Skyservice is not a non-resident within the meaning of S. 116 of the Income Tax Act (Canada) and that the representations and warranties of the Vendor contained in this Agreement are true and accurate as of the Closing Date.
- (e) **Undertaking.** An undertaking to adjust and readjust any items properly adjustable pursuant to this Agreement for a period of 60 days following the Closing Date.
- (f) **Keys.** A set of keys and entry devices with respect to the Lands and Buildings and the combination of any locks or vaults to the extent same are in the possession or control of the Vendor.
- (g) **Vacant Possession.** Subject to the Leases, vacant possession of the Lands and Buildings.
- (h) **Other.** Such other transfers, assignments and documents relating to the completion of this Agreement as the Purchaser may reasonably require (which transfers, assignments and documents shall be prepared by the Purchaser at its sole cost).

16. **Closing Deliveries of the Purchaser.** The Purchaser will on the Closing Date deliver to the Vendor the balance of the Purchase Price (plus any applicable taxes that the Vendor is required by applicable law to collect from the Purchaser) by bank draft payable to the Vendor, or as the Vendor may in writing direct; an undertaking to readjust; the GST or HST certificate referred to in Section 14 and such other documentation relating to the completion of this Agreement as the Vendor may reasonably require.

17. **Risk.** All Buildings will be and remain until the Closing Date at the risk of the Vendor. Until completion of this Agreement, the Vendor will maintain its current insurance on the Lands and Buildings. Pending completion, the Vendor will hold all insurance policies, if any, and the proceeds from any such policies in trust for the parties as their interests may appear. In the event of damage to the Lands and Buildings in excess of 25% of the replacement cost to the Lands and Buildings, the Purchaser may either terminate this Agreement and have the Deposit and other monies paid under this Agreement by the Purchaser returned together with any accrued interest or, at its option where the proceeds of any insurance are available, take the proceeds of any insurance and complete the purchase.

18. **General.** Time will in all respects be of the essence of this Agreement. Any tender of documents or money may be made upon the Vendor or the Purchaser or upon their respective solicitors and money may be tendered by certified cheque or bank draft. This Agreement will be binding upon and enure to the benefit of the Vendor and the Purchaser and their respective successors and assigns. The Purchaser shall not have the right to assign this Agreement to any corporation or person without the consent of the Vendor, provided the Purchaser shall be entitled to assign this Agreement to an Affiliate (as defined in the *Business Corporations Act* (Ontario)) of the Purchaser; if such assignment is consented to by the Vendor or is made to an Affiliate of the Purchaser, such assignee shall agree in writing with the Vendor to be bound by the Purchaser's obligations under this Agreement; provided that upon such assignment, the Purchaser will not be released from its obligations under this Agreement. This Agreement shall merge on Closing except for Sections 2, 5, 6, 10, 11, 13, 14, 18 and 22. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same agreement. Counterparts may be executed either in an original, email or fax form and the parties agree to adopt any signature received by facsimile as original signatures, provided however that any party providing its signature in such manner promptly forwards to the other party an original of the signed copy of this Agreement which was so emailed or faxed. This Agreement will be governed and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and will be treated in all respects as an Ontario contract. The use of headings in this Agreement is for convenience of reference only and will not affect the meaning or construction of this Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, warranties or representations, discussions and negotiations with respect to this Agreement, whether oral or written. If the time limited for the performance or completion of any matter in this Agreement does not fall on a day that the public offices for registering documents to be delivered pursuant to this Agreement are open for business (a "Business Day"), the time so limited will extend to the next following Business Day. The parties will promptly do, execute, deliver or cause to be done, executed and delivered all further acts, documents and things to carry out the true intent of this Agreement.

19. **Electronic Registration.** The Vendor and the Purchaser acknowledge that the electronic registration system (the "*Teraview Electronic Registration System*" or "*TERS*") is operative in the land registry office where the Lands are located and, accordingly, the following provisions shall prevail, namely:

- (a) the Vendor's solicitors and the Purchaser's solicitors shall each be obliged to be authorized TERS users and in good standing with the Law Society of Upper Canada, and they are hereby authorized by the parties hereto to enter into a document registration agreement in the form adopted by the Joint LSUC-CBAO Committee on Electronic Registration of Title Documents on March 29, 2004 or any successor version thereto (the "*Document Registration Agreement*" or "*DRA*"), together with the additional requirement that the registering solicitor shall also be obliged to provide the non-registering solicitor with a copy of the registration report printed by TERS upon the registration of the electronic documents, as evidence of the registration thereof, within one Business Day following the Closing Date. It is understood and agreed that the DRA shall outline or establish the procedures and timing for completing the transactions contemplated by this Agreement electronically, and shall be executed by both the Vendor's solicitors and the Purchaser's solicitors and exchanged by courier or facsimile transmission between such solicitors (such that each solicitor has a photocopy or faxed copy of the DRA duly executed by both solicitors) by no later than one Business Day before the Closing Date;
- (b) the delivery and exchange of the closing documents and the balance of the Purchase Price, and the release thereof to the Vendor and the Purchaser, as the case may be:
 - (i) shall not occur contemporaneously with the registration of the transfer/deed for the Lands and other closing documents, if any, to be registered electronically; and
 - (ii) shall be governed by the DRA, pursuant to which the solicitor receiving any closing documents, or the balance of the Purchase Price, will be required to hold the same in escrow, and will not be entitled to release the same except in strict accordance with the provisions of the DRA;
- (c) each of the parties agrees that the delivery of any of the closing documents not intended or required to be registered against title to the Lands shall, unless the parties otherwise agree, be by way of delivery of originally signed copies thereof on the Closing Date to the other party or its solicitor; and
- (d) notwithstanding anything contained in this Agreement or in the DRA to the contrary, it is expressly understood and agreed by the parties hereto that an effective tender shall be deemed to have been validly made by either party (in this Section called the "*Tendering Party*") upon the other party (in this Section called the "*Receiving Party*") when the solicitor for the Tendering Party has:
 - (i) delivered all applicable closing documents and/or the balance of the Purchase Price to the Receiving Party's solicitor in accordance with the provisions of this Agreement and the DRA;
 - (ii) advised the solicitor for the Receiving Party in writing that the Tendering Party is ready, willing and able to complete the transactions contemplated by this Agreement in accordance with the terms and provisions of this Agreement; and
 - (iii) completed all steps required by TERS in order to complete the transactions contemplated by this Agreement that can be performed or undertaken by the Tendering Party's solicitor without the co-operation or participation of the Receiving Party's solicitor, and specifically when the Tendering Party's solicitor has electronically "signed" the transfer/deed(s) and any other closing document, if any, to be registered electronically for completeness and granted "access" to the Receiving Party's solicitor (but without the Tendering Party's solicitor releasing the same for registration by the Receiving Party's solicitor).

20. **Planning Act.** This Agreement will be effective to create an interest in the Lands only if the provisions of the Planning Act (Ontario) are complied with.

21. **Notice.** Any notice, certificate, consent, waiver, amendment or other written communication required or permitted to be given under the Agreement will be in writing made by the parties or their respective solicitors and will be effectively given and made if delivered personally or by facsimile communication:

(a) in the case of the Vendor, addressed to it at:

c/o FTI Consulting Canada Inc.
TD Waterhouse Tower
79 Wellington Street
Suite 2010
Toronto, ON M5K 1G8
Attention: Nigel Meakin
Facsimile No. (416) 649-8101

and at:

c/o FTI Consulting Canada Inc.
Suite 500
900 West Hastings Street
Vancouver, BC V6C 1E5
Attention: Jamie Engen
Facsimile No. (604) 696-5571

with a copy to:

McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto, ON M5K 1E6
Attention: Jamey Gage
Facsimile No. (416) 868-0673

(b) and in the case of the Purchaser, addressed to it at:

2157565 Ontario Inc.
27 Fasken Drive
Toronto, Ontario M9W 1K6
Attention: President
Facsimile No. (416) 620-4433

with a copy to:

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
Toronto, Ontario M5L 1A9
Attention: Carlos Cerqueira
Facsimile No. 416-863-2653

Any communication given or made will be deemed to have been given or made on the day it was received unless (i) it was received after 5 p.m., or (ii) if such day is not a Business Day, in each of which cases it will be deemed to have been given and made and to have been received on the next following Business Day.

22. **Commissions.** The Purchaser warrants that it has not used an agent in respect of this Agreement. The Purchaser hereby indemnifies the Vendor with respect to any damage, claim or loss that results from any breach of the representation in this Section 22.

23. **Acceptance of Offer.** This Agreement has been executed by the Purchaser and presented to the Vendor as an offer for acceptance by delivery of an original executed copy to the Purchaser on or prior to 5:00 p.m. on May 26th, 2010, failing which this Agreement will be null and void and of no further force or effect.

IN WITNESS WHEREOF the parties have executed this Agreement.

2157565 Ontario Inc.

By: 
Name: COLIN P. HUNTER
Title: PRESIDENT

By: _____
Name: _____
Title: _____

FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of all the assets, undertakings and properties of Skyservice Airlines Inc.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

- Schedule A – Contracts
- Schedule B – Excluded Assets
- Schedule C – Lands
- Schedule D – Permitted Encumbrances


IN WITNESS WHEREOF the parties have executed this Agreement.

2157565 Ontario Inc.

By: _____
Name:
Title:

By: _____
Name:
Title:

FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of all the assets, undertakings and properties of Skyservice Airlines Inc.

By: 
Name: **NIGEL D. MEAKIN**
Title: **SENIOR MANAGING DIRECTOR**

- Schedule A – Contracts
- Schedule B – Excluded Assets
- Schedule C – Lands
- Schedule D – Permitted Encumbrances

SCHEDULE A

CONTRACTS

Nil

SCHEDULE B
EXCLUDED ASSETS

1. All Chattels owned by the tenants pursuant to the Leases.

SCHEDULE C

LANDS

Municipal Address: 31 Fasken Drive, Toronto, Ontario

Legal Description:

PIN 07420-0020 (LT)

PT BLK B, PL 7994, PART 1, 64R8871; T/W EB367331; ETOBICOKE, CITY OF TORONTO

SCHEDULE D

PERMITTED ENCUMBRANCES

- (1) Rights reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant, agreement or permit, including the right to terminate same or to require annual payments as a condition to the continuance thereof, which do not materially adversely affect the use, value or marketability of the Lands, Buildings or Chattels.
- (2) The reservations, exceptions, limitations, provisos and conditions, if any, expressed in the original grant from the Crown, as the same may varied by statute.
- (3) Registered subdivision agreements, site plan control agreements, servicing agreements, encroachment agreements, development agreements, tunnel agreements, and other similar agreements with governmental authorities or public utilities affecting the development or use of the Lands, Buildings or Chattels and security given therefor, provided same are in good standing in all material respects.
- (4) Registered facility sharing, cost sharing, common use, servicing, reciprocal, tunnel and other similar agreements relating to the use and/or operation of the Lands, Buildings or Chattels and/or adjoining properties and security given by the parties thereto to each other to secure the performance of their respective obligations thereunder.
- (5) Encumbrances respecting minor encroachments by any portion of the Lands and Buildings over neighbouring lands or easements or rights of way and/or minor encroachments on the Lands and Buildings by improvements on neighbouring lands including, without limitation, any minor encroachments as shown on any survey of the Lands.
- (6) Title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the use, value or marketability of the Lands, Buildings or Chattels for the purposes for which they are presently held.
- (7) (i) All Liens, encumbrances, restrictions, easements, rights of way, leases and tenancies, agreements and interests affecting title to the Lands, Buildings or Chattels which are registered by the Purchaser or are registrations which arise directly or indirectly due to the actions or the omissions of the Purchaser, (ii) notices of leases registered by or on behalf of tenants of the Lands and Buildings, and (iii) those registrations, if any, registered after the Condition Date with the consent of the Purchaser pursuant to the terms of this Agreement.
- (8) Instrument No. EB158733 registered on September 23, 1955 is an amendment to the Toronto Malton Airport Zoning Regulations.
- (9) Instrument No. EB216574 registered on June 17, 1959 is a Notice by the Department of Transport of Malton Airport zoning regulations.
- (10) Instrument No. EB255931 registered on March 13, 1962 is a Notice by the Department of Transport of Toronto Malton Airport zoning regulations.
- (11) Instrument No. EB412063 registered on January 29, 1973 is a Notice by the Department of Transport, Canada, of Airport zoning regulations.
- (12) Instrument No. EB461590 registered on May 3, 1976 is an Order In Council of the Privy Council of Canada, dated February 10, 1976, to amend Toronto International Airport zoning regulations.
- (13) Instrument No. E317117 registered on March 27, 2000 is a Notice by Her Majesty the Queen in Right of the Department of Transport Canada of Pearson Airport zoning regulations.
- (14) Instrument No. EB363078 registered on September 26, 1969 is an Agreement dated September 15, 1969, made between Bob-Claire Investments Limited and The Corporation of the Borough of Etobicoke, which agreement relates, *inter alia*, to the connection of a building sewer to a storm sewer situate on the street.

- (15) Instrument No. EB370363 registered on May 21, 1970 is an Agreement dated May 19, 1970, made between Bob-Clare Investments Limited and The Corporation of the Borough of Etobicoke, which agreement relates, *inter alia*, to the connection of a building sewer to a storm sewer.
- (16) Instrument No. E570750 registered on July 19, 2002, is a Notice of Change of Address – Owner dated July 17, 2002 to change the address of Skyservice Airlines Inc.

Barristers & Solicitors
Patent & Trade-mark Agents

McCarthy Tétrault

McCarthy Tétrault LLP
Box 48, Suite 4700
Toronto Dominion Bank Tower
Toronto ON M5K 1E6
Canada
Telephone: 416 362-1812
Facsimile: 416 868-0673
mccarthy.ca

Jonathan See
Direct: 416 601-7560
Fax: 416 868-0673
E-Mail: jsee@mccarthy.ca

June 4, 2010

VIA E-MAIL

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
Toronto, Ontario M5L 1A9

Attention: Iris Tam

Dear Ms. Tam:

Re: Agreement of purchase and sale dated May 25, 2010 between 2157565 Ontario Inc., as purchaser, and FTI Consulting Canada Inc., in its capacity as court-appointed receiver of all the assets, undertakings and properties of Skyservice Airlines Inc., as Vendor, relating to the property municipally known as 31 Fasken Drive, Toronto, Ontario, as amended to the date hereof (the "Purchase Agreement")

On the authority and instructions of my client, FTI Consulting Canada Inc., in its capacity as court-appointed receiver of all the assets, undertakings and properties of Skyservice Airlines Inc., I have been asked to confirm an agreement between our respective clients to an extension to the Process Order Deadline Date, as such term is defined in the Purchase Agreement. Presently, the Process Order Deadline Date is set to expire on June 10, 2010. An extension of that date to 5:00 p.m. on June 16, 2010 is requested. All other terms and conditions of the Purchase Agreement would remain unchanged and effective and time shall remain of the essence.

Also, on behalf of my client, I confirm receipt of the Purchaser's notice of waiver or satisfaction of condition pursuant to Section 3(a) of the Purchase Agreement prior to 5:00 pm on the Condition Date.

Can you please confirm, on behalf of your client, (a) that the said extension is acceptable and (b) that the Purchaser received the Vendor's notice of waiver or satisfaction of condition pursuant to Section 4(c) of the Purchase Agreement prior to 5:00 pm on the Condition Date by executing the acknowledgement set forth below and returning a copy of this letter to me.

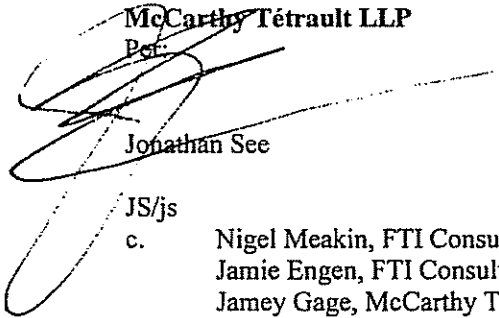
McCarthy Tétrault

- 2 -

Yours very truly,

McCarthy Tétrault LLP

Per:



Jonathan See

JS/js

c.

Nigel Meakin, FTI Consulting Canada Inc. (via fax 416-649-8101)

Jamie Engen, FTI Consulting Canada Inc. (via fax 604-696-5571)

Jamey Gage, McCarthy Tétrault LLP (via fax 416-868-0673)

President, 2157565 Ontario Inc. (via fax 416-620-4433)

Carlos Cerqueira, Blake, Cassels & Graydon LLP (via fax 416-863-2653)

ACKNOWLEDGEMENT

The undersigned, on behalf of 2157565 Ontario Inc., hereby (a) agrees to the foregoing extension of the Process Order Deadline Date and (b) confirms receipt of the Vendor's notice of waiver or satisfaction of condition pursuant to Section 4(c) of the Purchase Agreement prior to 5:00 pm on the Condition Date.

Dated this 7th day of June, 2010.

Blake, Cassels & Graydon LLP

Per:  _____

Appendix B

**Summary of Revised Proposals
(subject to a request for a Sealing Order)**

Appendix C

Liquidation Services Agreement (Redacted)

LIQUIDATION SERVICES AGREEMENT

THIS AGREEMENT made as of the 9 day of June, 2010.

B E T W E E N :

FTI CONSULTING CANADA INC., in its capacity as court-appointed receiver of all of the assets, undertakings and properties of Skyservice and not in its personal capacity (the "Receiver")

- and -

CENTURY SERVICES INC., a corporation incorporated under the laws of the Province of Alberta (the "Liquidator")

RECITALS:

- A. The Receiver has been appointed as receiver of all of the assets, undertakings and properties of Skyservice pursuant to the Receivership Order.
- B. Pursuant to the Receivership Order, the Receiver is empowered and authorized by the Court to market and sell the Assets or any part or parts thereof.
- C. The Receiver wishes to retain the Liquidator as its agent to sell and the Liquidator has agreed to sell on behalf of the Receiver, the Assets to Purchasers in accordance with the provisions of this Agreement.

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to the terms and conditions set forth below.

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Access Period**" has the meaning ascribed thereto in Section 3.02.

"**Account**" has the meaning ascribed thereto in Section 2.04(1).

"**Additional Excluded Assets**" has the meaning ascribed thereto in Section 2.01(1).

“Agreement” means this agreement, including its recitals and schedules, as amended from time to time.

“Applicable Law” means (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

“Approval Order” means an order of the Court approving the transactions contemplated under this Agreement, substantially in the form of Schedule “B”.

“Assets” has the meaning ascribed thereto in Section 2.01(1).

“Auction” has the meaning ascribed thereto in Section 2.01(4).

“Business Day” means a day other than a Saturday, Sunday or statutory holiday in Ontario, Canada.

“Buyer’s Premium” has the meaning ascribed thereto in Section 2.03.

“Claims” means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), interest, penalties, costs, claims, complaints and demands of whatever nature or kind including all legal fees and costs on a substantial indemnity basis.

“Condition Date” means the date that is the earlier of (i) the date upon which the Liquidator makes the payment to the Receiver required by Section 2.04(3), and (ii) two Business Days after the Approval Order is granted.

“Court” means the Superior Court of Justice.

“Deposit” has the meaning ascribed thereto in Section 2.05(2).

“Excluded Assets” has the meaning ascribed thereto in Section 2.01(1).

“First Deposit” has the meaning ascribed thereto in Section 2.05(1).

“Governmental Authority” means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances, including any federal, provincial, regional, municipal or local authority of such nature.

“Gross Proceeds” means all proceeds of sale of the Assets collected at the Auctions or from other Sales, including Sales Taxes but excluding any Buyer’s Premium.

“Indemnified Parties” has the meaning ascribed to it in Section 5.03(1).

“Net Minimum Guarantee” has the meaning ascribed thereto in Section 2.02.

“Net Proceeds” means Gross Proceeds less Sales Taxes.

“**Premises**” means 6932 Vanguard Drive Hangars 6 and 6A, Pearson International Airport, Mississauga, Ontario.

“**Purchasers**” means, collectively, each person to whom the Liquidator sells any of the Assets pursuant to this Agreement.

“**Receivership Order**” means the order of the Court dated March 31, 2010 commencing the receivership proceedings in respect of Skyservice and appointing the Receiver.

“**Removal Deadline**” means September 30, 2010 or such other date as the Receiver and Liquidator agree.

“**Sales**” has the meaning ascribed to it in Section 2.01(4).

“**Sales Taxes**” has the meaning ascribed to it in Section 2.04(2).

“**Second Deposit**” has the meaning ascribed thereto in Section 2.05(2).

“**Skyservice**” means Skyservice Airlines Inc.

“**Survival Date**” means the date that the Receiver is discharged in that capacity by the Court.

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term “including” means “including without limiting the generality of the foregoing”.

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 Currency

All references to currency herein are to lawful money of Canada.

1.06 Schedules

The following are the Schedules to this Agreement:

- Schedule A - Assets
- Schedule B - Approval Order

ARTICLE 2 – SALE OF ASSETS

2.01 Sale of the Assets

(1) Upon and subject to the terms and conditions hereof, the Liquidator agrees to sell on behalf of the Receiver, and the Receiver appoints the Liquidator as its exclusive agent to sell, to Purchasers all of the right, title, benefit and interest, if any, of Skyservice in and to the aircraft parts, furniture, machinery, equipment and other tangible personal property of Skyservice listed in Schedule "A" and located at the Premises (the "Assets"), but excluding for greater certainty any fixtures (the "Excluded Assets") and any assets excluded pursuant to Section 2.01(2) hereof.

(2) In the event that the Receiver is not entitled to sell any of the Assets (including by reason of third party ownership claims to any such Assets) or otherwise decides not to sell particular Assets, the Receiver will advise the Liquidator in writing and such items will be excluded from the Assets to be sold by the Liquidator (the "Additional Excluded Assets"), provided that the aggregate cost value of the assets excluded by the Receiver for any reason, shall not be more than \$1 million in cost, based on the Company's books and records. By notice in writing to the Liquidator, the Receiver may, at its sole option, elect to have any items that are Excluded Assets or Additional Excluded Assets added to and form part of the Assets to be sold by the Liquidator pursuant to this Agreement.

(3) The Liquidator will sell the Assets to Purchasers in accordance with the Liquidator's standard auction procedures and in a commercially reasonable manner, subject to the terms of this Agreement and the Approval Order. The sale of the Assets by the Liquidator to Purchasers will be by way of public auction ("Auction"), retail, wholesale or private sale (collectively, including Auctions, "Sales"). The Assets will be sold through a series of orderly Sales, if any, followed by one or more Auctions held at each of the Premises.

(4) The Liquidator will not, and will have no authority to, incur any liability or obligation on behalf of the Receiver. The sole authority of the Liquidator, as agent of the Receiver, is to convey to Purchasers the right, title, interest and benefit, if any, of Skyservice pursuant to the Approval Order.

2.02 Net Minimum Guarantee

The Liquidator guarantees in favour of the Receiver that the Net Proceeds will not be less than [REDACTED] subject to adjustment in accordance with Section 2.08 (the "Net Minimum Guarantee").

2.03 Buyer's Premium

Provided that the Receiver has received payment in full of the Net Minimum Guarantee, the Liquidator will be entitled to charge to Purchasers (as a separate and distinct amount from the purchase price for any Assets) and the Liquidator may retain, free of any claim of the Receiver, a buyer's premium equal to the aggregate of (i) 10 percent of the invoiced amount of any Asset sold by private Sale, and (ii) 10 percent in addition to the Auction price obtained for any Assets sold by Auction ("Buyer's Premium"), which Buyer's Premium will not form part of the Net Proceeds or be subject to the proceeds sharing formula set out in Section 2.04(3) hereof.

2.04 Proceeds of Sale and Payment of Taxes

(1) The Liquidator will be responsible for the collection of the Gross Proceeds. The Liquidator will deposit the Gross Proceeds of each Sale within one Business Day of the date of such Sale, without deduction, into a separate, interest bearing bank account (the "Account") and hold such funds in trust for benefit of the Receiver and not commingle such funds with other amounts. All amounts in the Account will not be released from trust except in accordance with the terms hereof.

(2) The Liquidator will be responsible for collecting all applicable federal and provincial sales taxes, goods and services taxes, excise taxes, all transfer, value added, *ad-valorem*, use, consumption, harmonized sales, retail sales, social services, or other similar taxes or duties (other than income taxes of the Receiver or Skyservice) payable under any Applicable Law on or with respect to the sale of the Assets (collectively, "Sales Taxes"). The Liquidator will deposit all Sales Taxes collected from Purchasers into the Account as part of the Gross Proceeds in accordance with Section 2.04(1). The Liquidator will indemnify and hold the Receiver harmless in respect of any Sales Taxes, penalties, interest and other amounts that may be assessed against the Receiver under any Applicable Law as a result of the sale of the Assets to the extent such Sales Taxes were not collected from Purchasers, deposited into the Account and paid therefrom to the Receiver pursuant to Section 2.04(3). The Liquidator will provide all information to the Receiver that is required by the Receiver in order to file a sales tax return, including information regarding Net Sales and Sales Taxes collected by the Liquidator, in form and content satisfactory to the Receiver.

(3) The Liquidator will pay to the Receiver an amount equal to the unpaid Net Minimum Guarantee, less the Deposit plus accrued interest on the Deposit, no later than the earlier of: (a) two Business Days prior to the date of the first Auction scheduled by the Liquidator; and (b) 60 days after the date of the Approval Order.

(4) Without limiting the Liquidator's liability to pay the Net Minimum Guarantee, the Gross Proceeds will be distributed from the Account from time to time (and no less often than

weekly when funds are available) in the following order of priority until the particular amount has been paid in full, unless otherwise agreed in writing between the Liquidator and the Receiver

- (a) in the case of Gross Proceeds that constitute Sales Taxes, to the Receiver on the 5th day of the month following the month in which they have been collected
- (b) in the case of Gross Proceeds that constitute Net Proceeds;
 - (i) firstly, to the Receiver, an amount equal to the Net Minimum Guarantee less the Deposit plus accrued interest on the Deposit (to the extent not already paid by the Liquidator to the Receiver pursuant to Section 2.04(2));
 - (ii) secondly, to the Liquidator an amount equal to (i) any amount paid by the Liquidator to the Receiver pursuant to Section 2.04(3); and (ii) the amount of the Deposit and all accrued interest thereon applied by the Receiver to the Net Minimum Guarantee pursuant to Section 2.05(3);
 - (iii) thirdly, to the Liquidator, an amount equal to [REDACTED] less the Net Minimum Guarantee; and
 - (iv) finally, in respect of any remaining Net Proceeds after the distribution from the Account of the amounts set out above, [REDACTED]% to the Receiver and [REDACTED]% to the Liquidator;

2.05 Deposit

(1) The Receiver acknowledges receipt of the sum of [REDACTED] from the Liquidator (the "First Deposit"), to be held in trust by the Receiver in an interest-bearing account until released from trust in accordance with this Agreement.

(2) Within two Business Days of the date that the Receiver obtains the Approval Order, the Liquidator will pay a further deposit of [REDACTED] (the "Second Deposit", and together with the First Deposit, the "Deposit"), by way of certified cheque or bank draft payable at par in Toronto or by wire transfer of immediately available funds to an account specified by the Receiver, to be held in trust by the Receiver in an interest-bearing account until released from trust in accordance with this Agreement.

(3) The Deposit together with interest accrued thereon will be released from trust and applied against the Net Minimum Guarantee and retained by the Receiver on the earlier of: (i) the date that is two Business Days prior to the date of the first Auction scheduled by the Liquidator; and (ii) 30 days after the date of the Approval Order.

2.06 All Sales to be "As Is, Where Is"

(1) Notwithstanding any other provision of this Agreement, the Liquidator acknowledges that it has inspected the Assets and except as otherwise expressly provided in this Agreement, no representation, warranty or condition whether statutory (including under the *Sale*

of Goods Act (Ontario), the *International Sale of Goods Contracts Convention Act* (Canada) and the *International Sale of Goods Act* (Ontario) or any international equivalent act which may be applicable to the subject matter pursuant to the provisions of this Agreement, including the United Nations Convention on Contracts for the International Sale of Goods), expressed or implied, oral or written, legal, equitable, conventional, collateral or otherwise will be given by the Receiver as to title, outstanding liens or encumbrances, description, fitness for purpose, merchantability, quantity, condition, quality, suitability, durability, assignability, or marketability thereof or any other matter or thing whatsoever, and all of the same are expressly excluded. The Liquidator acknowledges and agrees that it has inspected the Assets and has relied on its own investigations as to the matters set out above and in determining to enter this Agreement. The description of the Assets contained herein (including in the Schedules hereto) is for the purpose of identification only and the inclusion of any item in the description of the Assets does not confirm the existence of any such items or that such item is owned by Skyservice.

(2) The Liquidator agrees that all Sales of Assets to Purchasers will be on the "as is, where is" basis as detailed in Section 2.06(1) hereof and will be final. The Liquidator will ensure that all advertising signs and promotional materials in connection with the Assets advise Purchasers that all sales are made on an "as is, where is" basis and are final, and the Liquidator agrees that all receipts or bills of sale will contain similar language.

(3) The Liquidator agrees that no representation or warranty will be given by it or the Receiver to Purchasers, whether statutory, express or implied, oral or written, legal, equitable, collateral or otherwise, as to fitness for purpose, suitability, durability, marketability, condition, quantity or quality of the Assets or in respect of any other matter or thing whatsoever.

2.07 Obligations and Liabilities Not Assumed

Except as provided in this Agreement or by Applicable Law, the Liquidator does not assume and will not be liable for any obligations or liabilities of the Receiver or Skyservice whatsoever, including any and all environmental obligations or liabilities of Skyservice relating to the Assets or the Premises, any taxes or duties which may be or become payable by the Receiver or Skyservice including any income taxes, corporate taxes, realty taxes, source deductions or customs duties which may be or become payable by the Receiver of Skyservice resulting from or arising as a consequence of the sale of the Assets to the Purchasers (excluding for the avoidance of doubt, any Sales Taxes as provided in Section 2.04(2) hereof).

2.08 Title to the Assets and Risk of Loss

(1) Until sold to Purchasers, title to the Assets will remain with Skyservice and the Assets will remain at the risk of the Receiver. In the event of any loss of or damage to some or all of the Assets prior to the sale of such Assets to Purchasers:

- (a) if all or substantially all of the Assets are lost or damaged, the Liquidator will have the option to (i) complete the transactions contemplated herein in which case the insurance proceeds will be considered Net Proceeds from the sale of Assets for the purpose of this Agreement, or (ii) terminate this Agreement in which case both parties will be released from all obligations hereunder, other than the

obligation of the Receiver to pay the Deposit, plus accrued interest, to the Liquidator; and

- (b) in the event of loss of or damage to some items of the Assets, the value of such Assets, as determined by the Liquidator and Receiver each acting reasonably, will be deducted from the Net Minimum Guarantee and such Assets will become Additional Excluded Assets (and for greater certainty the insurance proceeds of such Assets will accrue to the benefit of the Receiver).

(2) The Receiver will use commercially reasonable efforts to maintain the insurance currently in place for loss or damage in respect of the Assets. Such insurance provides for loss settlement on a replacement cost basis if the Assets are repaired or replaced and on an actual cash value basis if the Assets are not repaired or replaced in accordance with the terms of the policies in place at any given time. In the event of any loss, damage or claim in respect of any risk for which insurance is carried as aforesaid arising before the Condition Date, the Liquidator, as an additional condition hereunder, will be entitled to be satisfied that the Receiver has put the applicable insurers on written notice of the loss.

2.09 Maintenance of the Assets

The Liquidator will maintain the Assets in accordance with usual and accepted proper industry practice using qualified and competent personnel during the Access Period.

ARTICLE 3 – POSSESSION, DELIVERY AND REMOVAL OF ASSETS

3.01 Delivery of the Assets

The Receiver agrees that, following each Sale, the Assets subject to such Sale will be surrendered to the applicable Purchaser at the Premises where such Assets are located as of the date of such Sale.

3.02 Access to the Premises

The Receiver will provide the Liquidator and its agents, employees and representatives with access to each of the Premises from the date of the Approval Order to the Removal Deadline (the "Access Period"), for the purposes of viewing and inspecting the Assets, showing the Assets to prospective Purchasers, preparing for and conducting the Sales and removing the Assets. The Receiver will inform all prospective Purchasers that contact it that their access to the Premises must be coordinated through the Liquidator. Upon obtaining the Approval Order, the Receiver will deliver to the Liquidator keys to the Premises and particulars of the alarm codes. The Receiver agrees to pay all rent (to the extent applicable in respect of any Premises) and will be responsible for the continued supply of all utilities to the Premises, including gas, water, heat, hydro and telephone, and for the maintenance of existing fire and third-party liability insurance on the Premises all at the Receiver's sole cost. Between the date of the execution of this Agreement and the date the Approval Order is obtained, the Liquidator may have reasonable access to the Premises during business hours by way of appointment arranged with the Receiver, with the accompaniment of a representative of the Receiver. The Liquidator will ensure that the Liquidator and its agents, employees, licensees, contractors, officers, directors and invitees

(including members of the public, to the extent such members of the public are in the Liquidator's reasonable control) who are on the Premises do not breach any Applicable Law.

3.03 Conduct of Auction

The Receiver consents to Auctions being conducted on the Premises and agrees to arrange access to prospective Purchasers on the dates of the Auctions and on business days to be agreed between the Liquidator and the Receiver, each acting reasonably, for the purpose of allowing potential buyers to view assets. The conduct of the Auctions, including advertising, marketing, the number and dates of Auctions, number of sale days, inspection arrangements and other such matters will be subject to the Receiver's prior approval. The Receiver consents to the use by the Liquidator of the phrase "Public Auction Sale, Skyservice Airlines Inc." in advertisements for the Auctions during the period up to and including the date of the applicable Auction.

3.04 Removal of Assets

At its sole expense, the Liquidator will be responsible for the supervision of the checkout, dismantling and removal of the Assets by Purchasers and will be responsible for removing any remaining Assets from the Premises by the Removal Deadline. The Liquidator will leave the Premises in an orderly and broomswept condition following such removal. The Receiver will be entitled to oversee the Liquidator's and Purchasers' checkout, dismantling and removal of the Assets from the Premises. The Receiver will, at its expense, segregate or remove from the Premises the Excluded Assets and any Additional Excluded Assets prior to the date of the first Auction at such Premises. Any Asset requiring disassembling and moving will be done at the expense of the Liquidator. The Liquidator will remedy or repair any condition resulting from the removal of the Assets. Should the Liquidator abandon, fail to remove or fail to cause any Assets to be removed, the Liquidator will reimburse the Receiver for the costs incurred by the Receiver to remove and dispute of such Assets. The Liquidator will have no obligation to remove Excluded Assets or Additional Excluded Assets.

3.05 Regulated Materials

(1) No provision of this Agreement will be construed so as to require the Liquidator to investigate, clean up, or remedy any adverse or other environmental condition existing at the Premises, or to be responsible for any environmental liabilities, or be liable for the investigation, clean up or remediation of any environmental liabilities, including any cost relating to any investigation, clean up or remediation of such environmental condition or liability or any Regulated Materials (as hereinafter defined) or other adverse environmental condition existing at, under, on or near the Premises, or contained in the Assets save and except to the extent that the Liquidator or its agents, employees, invitees and guests have caused a spill of such Regulated Materials at, under, on or near the Premises. For the purposes of this Agreement, "Regulated Materials" means any substance or material that is or becomes prohibited, controlled or regulated by any Governmental Authority, including, without limitation, any paints, solvents, PCB's, asbestos, contaminants, pollutants, dangerous substances, toxic substances, designated substances, controlled products, wastes, hazardous wastes, subject wastes, regulated materials, dangerous goods or petroleum, its derivatives, by-products or other hydrocarbons, all as defined

in or pursuant to any laws, regulations, by-laws, guidelines, policies, approvals, permits or orders rendered by any Governmental Authority.

(2) Nothing in this Agreement will oblige the Liquidator and the Liquidator will not, in fact, be liable for any environmental obligations or liabilities which are existing obligations or liabilities of Skyservice. The Receiver acknowledges that during the Access Period, the Liquidator is not in care, management, possession or control of the Premises as contemplated by any environmental laws, regulations, by-law, guidelines, policies, approvals, permits or orders of any Governmental Authority.

**ARTICLE 4 – REPRESENTATIONS, WARRANTIES
AND ACKNOWLEDGEMENTS**

4.01 Receiver’s Representations and Warranties

The Receiver represents and warrants to the Liquidator that:

- (a) to its knowledge, the Receivership Order has not been stayed, varied, set aside or appealed as of the time that the Receiver executed this Agreement;
- (b) subject to the granting of the Approval Order, the Receiver has, pursuant to the Receivership Order, good and sufficient power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Receiver contemplated hereunder; and
- (c) the Receiver has not encumbered or sold any of the Assets.

4.02 Survival of Receiver’s Representations, Warranties and Covenants

(1) The representations and warranties of the Receiver set forth in Section 4.01 will survive the completion of the transactions contemplated hereunder. However, the Receiver will not be liable to the Liquidator for any inaccuracy or misrepresentation in any representation or warranty set forth in Section 4.01 after the Survival Date.

(2) The covenants of the Receiver set forth in this Agreement will survive the transactions contemplated hereunder and, notwithstanding such completion, will continue in full force and effect for the benefit of the Liquidator in accordance with the terms of this Agreement until the Survival Date.

4.03 Liquidator’s Representations, Warranties and Acknowledgement(s)

The Liquidator represents warrants and acknowledges to the Receiver that:

- (a) the Liquidator is a corporation duly incorporated, organized and subsisting under the laws of the Province of Alberta and has all the necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder;

- (b) the Liquidator has good and sufficient power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Liquidator contemplated hereunder;
- (c) this Agreement constitutes a valid and legally binding obligation of the Liquidator, enforceable against the Liquidator in accordance with its terms;
- (d) neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Liquidator will result in a violation of: (i) any of the provisions of the constating documents or by-laws of the Liquidator; (ii) any agreement or other instrument to which the Liquidator is a party or by which the Liquidator is bound; or (iii) any Applicable Law;
- (e) no authorizations, consents or approvals of, or filing with or notice to, any Governmental Authority is required in connection with the execution, delivery or performance of this Agreement;
- (f) the Liquidator has all permits, consents and licenses necessary to sell the Assets and to conduct the liquidation and any Auction from the Premises;
- (g) the Liquidator is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 137069704; and
- (h) the Liquidator acknowledges that it or its representatives have been furnished with all information regarding the Assets that the Liquidator requires to enable it to enter into this Agreement.

4.04 Survival of Liquidator's Representations, Warranties and Covenants

(1) The representations and warranties of the Liquidator set forth in Section 4.03 will survive the completion of the transactions contemplated hereunder.

(2) The covenants of the set forth in this Agreement will survive the completion of the transactions contemplated hereunder and, notwithstanding such completion, will continue in full force and effect for the benefit of the Receiver in accordance with the terms of this Agreement until the Survival Date.

**ARTICLE 5- OTHER COVENANTS OF
LIQUIDATOR AND RECEIVER**

5.01 Representations and Warranties

Each of the Receiver and the Liquidator will ensure that its representations and warranties set out in herein are true and correct at the time of each Sale of any of the Assets to a Purchaser.

5.02 Additional Covenants of Liquidator

The Liquidator will maintain public liability insurance with a well recognized and adequately capitalized insurance company in the amount of no less than \$5,000,000 for the Premises for the duration of the time the Liquidator, its agents, and invitees (for the purpose of this agreement the Liquidator's invitees shall include members of the public) are present on the Premises and will deliver on execution of this Agreement, proof of such insurance.

5.03 Indemnity by Liquidator

(1) In addition to any other provision for indemnification by the Liquidator contained in this Agreement, the Liquidator hereby indemnifies and saves harmless the Receiver and its directors, officers, employees, agents, contractors and advisors (collectively, the "Indemnified Parties") from and against all Claims incurred by the Indemnified Parties directly or indirectly resulting from and arising out of or relating to any breach of any covenant of the Liquidator contained in this Agreement or from any inaccuracy or misrepresentation in any representation or warranty set forth in this Agreement, including all Claims incurred by the Indemnified Parties directly or indirectly as a result of the Liquidator not collecting the Sales Taxes.

(2) In addition to any other provision for indemnification by the Liquidator contained in this Agreement, the Liquidator hereby indemnifies and saves harmless the Indemnified Parties from and against all Claims suffered or incurred by any of them from and after the date hereof as a result of or arising directly or indirectly out of or in connection with any negligence or misconduct of the Liquidator or its employees, contractors, licencees, agents or invitees.

(3) The provisions of this Section 5.03 will enure to the benefit of the Indemnified Parties, and their respective successors and assigns.

5.04 Cooperation on Tax Matters

(1) The Liquidator and the Receiver agree to make, execute and file with the appropriate taxing authorities all elections or purchase exemption certificates as the parties hereto agree are mutually desirable, if any, in prescribed form and within the prescribed time.

(2) The Receiver and the Liquidator will furnish or cause to be furnished to each other, at the expense of the requesting party, as promptly as practicable, such information and assistance, and provide additional information and explanations of any material provided, relating to the Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to Sales Taxes.

ARTICLE 6- CONDITIONS

6.01 Conditions for the Benefit of the Liquidator

(1) The transactions contemplated hereunder are subject to the following conditions, which are for the exclusive benefit of the Liquidator and which are to be performed or complied with at or prior to the Condition Date:

- (a) the representations and warranties of the Receiver set forth in Section 4.01 will be true and correct with the same force and effect as if made at and as of such time;
- (b) the Receiver will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Receiver;
- (c) no order will have been made to restrain, enjoin or prohibit the purchase and sale of all or substantially all or substantially all of the Assets;
- (d) no material damage by fire or other hazard to all or substantially all of the Assets will have occurred from the date hereof; and
- (e) the Approval Order will have been granted by the Court and such order will not have been stayed, varied, set aside or successfully appealed from.

(2) In case any material term or covenant of the Receiver or material condition to be performed or complied with for the benefit of the Liquidator at or prior to the Condition Date has not been performed or complied with at or prior to the Condition Date, the Liquidator, without limiting any other right that the Liquidator has, may at its sole option acting reasonably, either:

- (a) rescind this Agreement by notice to the Receiver, and in such event the Liquidator will be released from all obligations hereunder; or
- (b) waive compliance with any such term, covenant or condition in whole or in part with respect to any such non-compliance on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Liquidator rescinds this Agreement pursuant to Section 6.01(2)(a) the Receiver will also be released from all obligations hereunder except that the Liquidator will be entitled to the return of the Deposit plus accrued interest thereon from the Receiver.

6.02 Conditions for the Benefit of the Receiver

(1) The transactions contemplated hereunder, are subject to the following conditions, which are for the exclusive benefit of the Receiver and which are to be performed or complied with at or prior to the Condition Date:

- (a) the representations and warranties of the Liquidator set forth in Section 4.03 will be true and correct with the same force and effect as if made at and as of such time;
- (b) the Liquidator will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Liquidator;
- (c) no order will have been made to restrain, enjoin or prohibit the purchase and sale of all or substantially all of the Assets;

- (d) no material damage by fire or other hazard to all or substantially all of the Assets will have occurred from the date hereof; and
- (e) the Approval Order will have been granted by the Court and such order will not have been stayed, varied, set aside or successfully appealed from.

(2) In case any material term or covenant of the Liquidator or material condition to be performed or complied with for the benefit of the Receiver at or prior to the Condition Date has not been performed or complied with at or prior to the Condition Date, the Receiver, without limiting any other right that the Receiver has, may at its sole option acting reasonably, either:

- (a) rescind this Agreement by notice to the Liquidator, and in such event the Receiver will be released from all obligations hereunder, or
- (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part,

and, if the Receiver rescinds this Agreement pursuant to Section 6.02(2)(a), the Liquidator will also be released from all obligations hereunder unless the term, covenant or condition for which the Receiver has rescinded this Agreement was one that the Liquidator had covenanted hereunder, to ensure had been performed or complied with, in which event the Liquidator will be liable to the Receiver for any Claims incurred by the Receiver directly or indirectly as a result of such breach. In that event, the Assets may be resold by the Receiver and all money paid by the Liquidator under this Agreement, including the Deposit, plus interest, will be forfeited on account of liquidated damages, but such forfeiture will not be deemed to constitute the full extent of liquidated damages payable by the Liquidator as a result of the Receiver's rescission pursuant to Section 6.02(2)(a).

6.03 Approval Order

The Receiver agrees to bring an application to the Court promptly after execution of this Agreement to obtain the Approval Order. In the event that the Approval Order is not obtained within 14 days from the date of execution of this Agreement, the Liquidator will have the right to terminate this Agreement and, upon such termination, the First Deposit together with any accrued interest thereon will promptly be returned to the Liquidator and this Agreement will be at an end.

6.04 Proceeds of Sales Made Prior to Termination

In the event that the Agreement is terminated by either party pursuant to Article 6 or Section 2.08 and notwithstanding such termination, the Gross Proceeds of any Sales made by the Liquidator prior to the date of such termination will be immediately paid by the Liquidator to the Receiver.

ARTICLE 7 – FORCE MAJEURE

7.01 Force Majeure

A failure by either party to perform any obligation under this Agreement as a result (in whole or in part) of *force majeure* will not constitute a default under this Agreement, and neither party will have any liability to the other as a result of any such failure to perform. A party who contends that its performance is excused by reason of *force majeure* must give prompt written notice to the other party specifying the condition constituting the same and use all commercially reasonable efforts to rectify such condition as soon as possible. For the purposes hereof, “*force majeure*” means any of the following: lightning, storms, earthquakes, floods, droughts, fires, explosions, failure or reduction of power supplies, failure to perform by (or damage to) plant, machinery, equipment or other property, shortages of labour, strikes, protests, lock-outs or other labour disturbances (whether or not under a party’s control) or any other action taken by any person in connection therewith, expropriation, action of any government or governmental body or court, acts of God or any other cause, whether similar to or dissimilar from the foregoing, beyond the reasonable control of the party seeking to take advantage of *force majeure* and affecting performance by such party.

7.02 Assistance

The Liquidator and the Receiver will co-operate with each other in a commercially reasonable manner in the event of any labour disruption or *force majeure* that interferes with the sale of the Assets or the ability of the Liquidator to perform its obligations hereunder with a view to alleviating such interference.

ARTICLE 8 - GENERAL

8.01 Further Assurances

Each of the Receiver and the Liquidator will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may, at such requesting party’s cost reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.02 Time of the Essence

Time will be of the essence of this Agreement.

8.03 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

8.04 Fees and Commissions

Except as expressly provided herein, each of the Receiver and the Liquidator will pay its respective legal and accounting costs and expenses incurred in connection with the

preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses whatsoever and howsoever incurred and will indemnify and save harmless the other from and against any Claim for any broker's, finder's or placement fee or commission alleged to have been incurred as a result of any action by it in connection with the transactions under this Agreement.

8.05 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

8.06 Amendments and Waiver

No modification of or amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

8.07 Assignment

This Agreement may not be assigned by the Liquidator without the prior written consent of the Receiver.

8.08 Notices

Any demand, notice or other communication to be given in connection with this Agreement will be given in writing and will be given by personal delivery, by registered mail, by facsimile or by electronic mail addressed to the recipient as follows:

To the Receiver:

FTI Consulting Canada Inc.
TD Waterhouse Tower, Suite 2010
79 Wellington Street
Toronto ON M5K 1G8

Fax: 416-649-8101
Attention: Mr. Nigel D. Meakin
E-mail: nigel.meakin@fticonsulting.com

with a copy to:

McCarthy Tétrault LLP
Suite 4700

Toronto Dominion Bank Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1E6

Fax: (416) 868-0673
Attention: James Gage
E-mail: jgage@mccarthy.ca

To the Liquidator:

Century Services Inc.
Suite 200, 105 – 10 Avenue S.E.
Calgary AB T2G 0V8

Fax : (403) 294-9409
Attention: Bruce MacLennan
E-mail: bmaclelland@centuryservices.com

or to such other address, facsimile number or e-mail address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the 4th Business Day following the deposit thereof in the mail and, if given by facsimile or e-mail, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of mail, any such demand, notice or other communication will not be mailed but will be given by personal delivery or by facsimile or e-mail.

8.09 Counterparts

This Agreement may be executed in several counterparts and all counterparts when taken together will comprise one and the same instrument, and facsimile copies of signatures will be treated as originals for all purposes.

8.10 Execution by Facsimile or E-mail

This Agreement may be executed in two counterparts, each of which will be considered an original agreement, and both of which constitute the same agreement. The delivery by either party of a signed copy of this Agreement by facsimile or electronic mail will constitute acceptance of this agreement by the party.

8.11 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

8.12 Attornment

For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have jurisdiction to entertain any action arising under this Agreement. The Receiver and the Liquidator each attorns to the jurisdiction of the courts of the Province of Ontario.

8.13 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision will not affect the validity or enforceability of any other provision of this Agreement, all of which will be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction will not affect such provision validity or enforceability in any other jurisdiction.

8.14 Acknowledgements of the Liquidator

The Liquidator acknowledges that FTI Consulting Canada Inc. has entered into this Agreement solely in its capacity as Receiver of all of the assets, undertakings and properties of Skyservice and not in its personal or corporate capacity.

8.15 Confidentiality

The Liquidator and the Receiver will keep confidential all information and documents which may have been or may hereafter be exchanged between them or their representatives or may have been retained by the Liquidator or the Receiver, except for such information and documents as are available to the public, required to be disclosed by applicable law or court order, or as required to be disclosed by the receivership proceedings.

IN WITNESS WHEREOF the parties have executed this Agreement.

**FTI CONSULTING CANADA INC., as court-
appointed receiver of all of the assets,
undertakings and properties of Skyservice, and
not in its personal or corporate capacity**

Per:



Per: _____

CENTURY SERVICES INC.

Per:  _____

Per: BRENT CHEUNG _____

SCHEDULE A

Assets

SCHEDULE B
Approval Order