

CANADA
PROVINCE DE QUÉBEC
DISTRICT DE MONTRÉAL

COUR SUPÉRIEURE
(Chambre commerciale)

No: 500-11-042345-120

DANS L'AFFAIRE DE LA PROPOSITION DU PLAN
D'ARRANGEMENT DE:

AVEOS FLEET PERFORMANCE INC. /
AVEOS PERFORMANCE AÉRONAUTIQUE INC.
et
AERO TECHNICAL US, INC.

Débitrices /Requérantes

AVEOS FLEET PERFORMANCE INC. /
AVEOS PERFORMANCE AÉRONAUTIQUE INC.

Débitrices / Intimées

c.

CANADIAN NORTH INC.

Intimée/demanderesse incidente

et

FTI CONSULTING CANADA INC.

Mis en cause/Contrôleur

**AVIS DE COMMUNICATION D'UN RAPPORT D'UN TÉMOIN EXPERT
SELON L'ARTICLE 402.1 C.P.C.**

Destinataires:: Me Sylvain Rigaud
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ET: Me Roger Simard
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1, Place Ville-Marie, 39^e étage
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PRENEZ AVIS que lors de l'audience, l'intimée / demanderesse incidente Canadian North Inc. désire faire entendre M. Michel Hamelin à titre de témoin expert en comptabilité et en quantification de dommages.

Copie du rapport complémentaire de l'expert est jointe en annexe.

Veillez agir en conséquence.

MONTRÉAL, le 2 avril 2013


MILLER THOMSON SENCRL
Procureurs de l'Intimée/demanderesse incidente



**Aveos Fleet Performance Inc.
and
Aero Technical US, Inc.**

vs.

**Canadian North Inc.
and
FTI Consulting Canada Inc.**

C.S. 500-11-042345-120

April 2, 2013

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Table of Contents

- 1. INTRODUCTION..... 1**
 - 1.1. OUR UNDERSTANDING OF THE CURRENT SITUATION 1
 - 1.2. NATURE AND SCOPE OF OUR MANDATE..... 3
 - 1.3. INDEPENDENCE OF DEMERS BEAULNE..... 4
 - 1.4. RESTRICTIONS AND LIMITATIONS..... 4
- 2. DB REPORT..... 5**
- 3. NDRA AS AT THE TERMINATION DATE..... 5**
 - 3.1 FLYING HOURS INVOICED APPLIED TO THE DRA..... 6
 - 3.2 COSTS APPLIED 7
 - 3.3 CONCLUSION 9
- 4. AVEOS' PROFIT ON SERVICES PROVIDED 9**
- 5. CONCLUSION..... 12**

List of Appendices

1. Aveos Balance Sheet of February 2012 – Undertaking 2 and Exhibit D-11(b)
2. Summary of the deferred revenue account for all customers – Undertaking 2 and Exhibit D-11(c)
3. Revised Canadian North deferred revenue account to March 31st, 2012 – Undertaking 3 and Exhibit D-11(d)
4. Aveos unaudited financial statements as of January 2012
5. Curriculum vitae of Michel Hamelin, CPA, CA, CA•IFA, CBV

Private and confidential

April 2, 2013

Miller Thomson Pouliot, LLP
1000 De la Gauchetière Street West
Suite 3700
Montréal, Quebec H3B 4W5

**Subject: Aveos Fleet Performance Inc. and Aero Technical US, Inc.
vs.
Canadian North Inc. and FTI Consulting Canada Inc.
S.C. 500-11-042345-120**

1. INTRODUCTION

1.1. Our understanding of the current situation¹

On December 19, 2008 and on November 5, 2010, Aveos Fleet Performance Inc. (hereinafter “Aveos”) entered into a seven-year General Terms Agreement for B737-200 Technical Services and into a Fleet Management Services Agreement in respect with Boeing B737-300 aircraft (hereinafter collectively the “Agreements”) with Canadian North Inc. (hereinafter “Canadian North”). Also, according to Canadian North, the Agreements were terminated on or about March 18, 2012 (hereinafter the “Termination date”), but the termination is contested by Aveos.

Under the Agreements, Canadian North was to pay a fixed fee per hour of flight operation for certain maintenance services of its airplanes (hereinafter “PBH”). We understand that it is Aveos’ position that the PBH component of the Agreements was in

¹ As per the Amended Motion and the Amended Contestation and Cross-Claim (as hereinafter defined).

the nature of an insurance policy for the customer and that a monthly payment by the customer is not driven by the amount of services actually rendered during a given period. On the other hand, Canadian North maintains that the volume of maintenance was an important underlying consideration of the Agreements and that, in fact, the PBH payment obligations under the Agreements cover both foreseeable scheduled and unscheduled maintenance services to be rendered by Aveos. The PBH rate was set according to the level of utilization of the aircraft and was based on anticipated flying hours/cycles for engines, parts, heavy maintenance, etc., each of which formed a component of the total PBH.

On July 16, 2012, Aveos filed an action against Canadian North to order, among others, the payment of a sum due to Aveos (hereinafter the “Debt”). However, we understand that Canadian North claims that it is entitled to be compensated for the value of PBH maintenance services paid by for Canadian North under the Agreements, but that have not been rendered by Aveos at the Termination date, notably in conformity with section 5.6 of the General Terms Agreement for B737-200 Technical Services, Exhibit P-1, and section 19.6 of the Fleet Management Services Agreement, Exhibit P-9, with respect to the B737-300.

Canadian North believes that the value of these services are represented in Aveos’ Deferred Revenue Account (hereinafter the “DRA”) and that same should be a reliable indication of the value of such services paid in advance but not actually rendered. As per Canadian North’s estimation and restatement, Aveos’ DRA should represent a larger sum than the Debt because of certain entries of charges not related to its airplanes, work in process (WIP) errors, heavy maintenance in error, items charged twice in error and items charged after March 18, 2012, as specified in Exhibit D-7. Therefore, Canadian North constitutes itself cross-plaintiff and claims that Aveos was indebted in its favour to an amount at least equal to the Debt at the Termination date and seeks compensation between its claim and the Debt.

1.2. Nature and scope of our mandate

You have asked us to act as independent expert specialized in accounting and damages quantification on behalf of your client, Canadian North, in the context of a dispute with Aveos more fully summarized in **section 1.1** of the present report.

Our mandate consisted in the calculation of the estimated value of the amount owed by Aveos to Canadian North, as of March 18, 2012, and the present report should be viewed as a complement to our expert report dated January 23, 2013 (hereinafter “DB Report”).

We understand that our report will be submitted to the Quebec Superior Court as an expert report and that we could be called upon to testify as an expert witness.

In preparing our report, in addition to the documents already listed in the DB Report, we have consulted and relied upon the following documents:

- a) *Copy of Amended Motion to recover amounts due for goods supplied and services rendered and other orders dated February 21, 2013;*
- b) *Copy of Amended Contestation and Cross-Claim of the Respondent, Canadian North Inc., on Plaintiff’s Motion to Recover Amounts for Goods Supplied and Services Rendered and for Other Orders dated March 15, 2013, and the exhibits in support thereof (hereinafter the “Amended Contestation and Cross Claim”) and the exhibits in support thereof;*
- c) *Copy of Fleet Management Services Agreement between Aveos Fleet Performance Inc. and Canadian North Inc. Respecting B737-300 made as of November 5, 2010 – Exhibit P-9; and*
- d) Aveos’ unaudited interim financial statements for January 2012.

Furthermore, we had discussions with Ms. Tracy Medve, former President of Canadian North.

In the following pages, we present the details of our analysis in relation to our mandate.

1.3. Independence of Demers Beaulne

This report was prepared under the responsibility of Mr. Michel Hamelin, CPA, CA, CA•IFA, CBV. To our knowledge, the professionals who participated in the realization of this work have no connection with the parties involved in this litigation and their work was done independently and objectively.

The remuneration of our firm and its professionals is in no way conditional on the implementation of an action or event that would result from the use of this report.

1.4. Restrictions and limitations

This confidential report is not to be used for any purpose other than that stated above and is not intended for general circulation nor is it to be published or made available to other parties in whole or in part without our prior written consent. We will not assume any responsibility or liability for losses suffered by Canadian North and/or Aveos, or by other parties as a result of the circulation, publication, reproduction or use of this report contrary to the provision of this paragraph.

In addition, we reserve the right, without any obligation on our part, to revise our conclusions in light of facts or information which existed as of the date of our conclusion, but which were brought to our attention subsequent to the issuance of this report.

In the course of our mandate, we have relied upon the financial information and other information provided to us. We have assumed that all such information was accurate, and consequently, save for the information that was subject to our analyses; we have not verified the accuracy, completeness or fair presentation thereof.

2. DB REPORT

Here are presented the main conclusions drawn from the DB Report and related to the evaluation of the amount owed by Aveos to Canadian North:

- The NDRA (as defined in DB Report) should be considered in the evaluation of the amounts owed by Aveos to Canadian North; and
- Aveos' realized profit on incurred costs included in the NDRA should also be considered in the calculation of the amount that may be owed to Canadian North.

Therefore, we are of the opinion that the value of uncompleted services related to the Agreement (as defined in DB Report) should be calculated with the following formula:

$$\begin{aligned} & \text{NDRA}^2 \text{ related to Canadian North as at the Termination date} \\ & \text{(section 3.1 of the present report)} \\ & \text{minus} \\ & \text{AVEOS' PROFIT on services provided} \\ & \text{(section 3.2 of the present report)} \end{aligned}$$

3. NDRA AS AT THE TERMINATION DATE

As exposed above, the NDRA related to Canadian North (hereinafter "CN NDRA"), as at the Termination date must be estimated.

To do so, we mainly based our analysis on the information provided by Aveos, following Mr. Timotheatos' examination. More specifically, we relied on the answers to Undertakings 2 and 3, which are presented under Tabs 2, 3 and 4 in their correspondence dated September 2102 and described as follow:

² NDRA is the acronym used in DB Report for the expression "net deferred revenue account".

1. February 2012 Balance Sheet (see **Appendix 1**);
2. Summary of the deferred revenue account for all customers which corresponds to the balance sheet account (see **Appendix 2**); and
3. A revised Canadian North Account to March 31st which includes an outline of the costs applied by service line (see **Appendix 3**).

As per **Appendix 3**, we understand that the CN NDRA represents the difference between “Flying Hours Applied” and “Costs Applied”, defined as follows:

- “Flying Hours Applied” represent portion of flying hours invoiced applied to the deferred revenue accounts based on the “Matching Principle”³ (GAAP)⁴ (**section 3.1**); and
- “Costs Applied” represent direct costs incurred (labour and materials) plus estimate for overhead recovery⁵ (**section 3.2**).

To conclude, as per Aveos’ financial report (see **Appendix 3**) provided to Canadian North, the CN NDRA as at the Termination date amounts to a rounded value of \$472,000 (\$19,556,000 - \$19,084,000).

3.1 Flying hours invoiced applied to the DRA

In Aveos’ correspondence dated October 23, 2012, there are answers to additional questions asked by Canadian North (Exhibit D-12) (hereinafter “Aveos’ Explanations”). In this document, it is mentioned that “[...] *There is no relationship between payments applied to the Deferred Revenue Account and performance of services. [...] The portion of the payments applied to the Deferred Revenue Account represents management’s best estimate of revenues to be applied against future costs that may be incurred [...]*.”⁶

³ As discussed in section 4 of DB Report the purpose of a DRA is to be in accordance with the accrual basis of accounting and the “matching principle” to which refers Aveos, is related to the recognition of expenses and not revenues.

⁴ As per **Appendix 3**, note 1.

⁵ As per **Appendix 3**, note 2.

⁶ Excerpt of Aveos’ Explanations: answer to question 3 on page 2.

We believe those elements of Aveos' answer presented below, to be contradictory to one another. Indeed, it is our understanding that flying hours invoiced applied to the DRA are in fact estimated and deferred exactly because services on those are uncompleted which is reflected by the fact that additional costs (services) will be incurred (rendered) in the future.

However, as per note 4 of **Appendix 3**, we understand that flying hours applied in the CN NDRA, in the months of February and March 2012, have not been paid. However, it is our understanding that these unpaid invoices are included in the Canadian North Debt to Aveos. Thus, in the present report, we consider these to be paid since in its Amended Contestation and Cross Claim, Canadian North invokes the rights to claim the difference between the amount that is owed to (which the calculation is the purpose of this report) and the amount claimed by Aveos.

Finally, we are of the opinion that the total amount of flying hours invoiced applied to CN NDRA at the Termination date, as per **Appendix 3** and amounting to a rounded value of \$19,556,000, represents the best estimate possible of the revenues on which uncompleted services have been rendered by Aveos.

3.2 Costs applied

As per Aveos' Explanations, expenses are recorded each month in the profit and loss statement in order to record accounts payable and "*[...] At the end of the month, costs associated with uncompleted events in the shop are removed from the expenses of the company as it is Aveos' policy to recognize such costs on the income statement once the event is completed [...]*"⁷.

As at the Termination date, we understand that Aveos has removed costs from the P&L and deferred these (hereinafter the "Costs") for a total of \$19,083,988.47 (see **Appendix 3**).

⁷ Excerpt of Aveos' Explanations: answer to question 10 on page 6.

Also, it is our understanding that an analysis of the Costs, covering \$7,085,837 (37%) of the total deferred Costs, has been completed by Canadian North (Exhibit D-7) and that it is their belief that:

- \$661,709 of these analysed Costs were not related to Canadian North's airplanes; and
- There are errors in the recording of costs resulting in an overstatement of Costs of \$459,054.

Consequently, Canadian North is of the opinion that Aveos' Costs are overstated for a rounded value of \$1,121,000 (\$662,000 + \$459,054).

However, in Aveos' Explanations, on the proper allocation of Costs and possible errors, we understand that Aveos did not confirm Canadian North beliefs and therefore, did not update CN NDRA balance calculation as asked by the latter. In fact, Aveos considers that the Costs are not "charged" to Canadian North, since Canadian North is charged for flying hours and not costs applied to the deferred account, and therefore, cannot be overcharged.⁸ However, it is not a cost overcharge issue for Canadian North. Canadian North rather claims that it overpaid for services on an estimated basis (i.e. the monthly PBH payments) as the services were never rendered in full.

As we do not have the knowledge and expertise to determine which position is accurate, in our calculation, we will consider both assumptions as valid ones, which would result in a calculation of two sets of value:

- Scenario 1: Costs applied to CN NDRA as at the Termination date do not have to be adjusted and therefore are valued to a rounded value of \$19,084,000; and
- Scenario 2: Costs applied to CN NDRA as at the Termination date must be adjusted to a rounded value of \$17,963,000.

⁸ Excerpt of Aveos' Explanations: answer to question 11 on page 6.

However, it should be noted that it is not in Aveos' priorities to ensure the accuracy in the deferral of Costs, given that its revenue collection process does not depend on this account. As a result, it is likely that there are indeed errors in the allocation of Costs included in the Costs analysed by Canadian North and even in the Costs that have not been analysed by Canadian North and neither estimated in our report.

3.3 Conclusion

Based on the above assumptions on flying hours invoiced applied to the DRA and on the Costs applied, we estimate the CN NDRA at the Termination date to range between a rounded value of:

- Scenario 1: \$472,000 (\$19,556,000 – \$19,084,000); and
- Scenario 2: \$1,593,000 (\$19,556,000 - \$17,963,000).

4. AVEOS' PROFIT ON SERVICES PROVIDED

Firstly, it is important to define what is meant by profit on services provided. We usually refer to three different types of profit:

- The gross profit, which is calculated as revenue minus costs directly related to those revenues. These costs can include manufacturing expenses, raw materials, labor, selling, marketing and other expenses;
- The operating profit ("EBIT"), which is the profit earned from the normal core business operations of an entity without considering its financial costs and income taxes; and
- Net profit, which represents the surplus remaining after total costs are deducted from total revenue and the basis on which dividend is paid.

Aveos' Explanations, as well as an Excel sheet detailing Costs (Exhibit D-11(e)), allow us to understand that Costs are related to the following:

- Components, which include materials, parts, and direct labor costs;
- Engine costs; and
- Overheads, which “[...] include costs such as (but not limited to) occupancy costs, equipment and tooling maintenance costs, consumable inventory not specifically tracked to customer accounts and other administrative costs (e.g. finance, human resources etc.).”⁹

Thus, in a situation where a cost benefit analysis by service or type of cost is non-existent or non-available, as in the present situation, then the gross profit may be the best concept to use in order to determine the profit on Costs applied to the CN NDRA.

However, in order to calculate Aveos’ profit on Costs (or on services provided), we used Aveos’ last unaudited financial statements available to us, January 2012 (see **Appendix 4**)¹⁰. As we can easily notice, the gross profit is not presented in the income statement and therefore, only the operating (before amortization and depreciation) and net profit are presented.

Therefore, to estimate profit on Costs included in the CN NDRA, we used the best data available to us which are those relating to the calculation of the operating profit. The following information can be drawn from the very summary income statement available to us:

⁹ Excerpt of Aveos’ Explanations: answer to question 4 on pages 2 and 3.

¹⁰ We noted that the balance sheet figures from **Appendices 1 and 4** were different for some of the accounts, including the NDRA (as defined in DB Report). Balance sheet reclassification could explain the difference. But whatever the explanation, these financial statements are useful and required just to establish a reasonable profit margin on Aveos’ Costs. In fact, CN NDRA is already well documented and supported by Aveos with documentation obtained in the context of the present case while the balance sheet presented at **Appendix 4** was filed in support of an initial order in the matter of the companies’ creditors’ arrangement.

	January 2012	January 2011
Revenue (\$ mm)	49.1	47.3
Costs (Revenue – EBITDAR)	48.9	48.2
EBITDAR¹¹ (\$ mm)	0.2	(0.9)
EBITDAR / Costs (%)	0.4%	(1.9)%

Given this information, we established Aveos' profit on Costs applied to CN NDRA to amount to a range of rounded values:

- Scenario 1: Between \$0 and \$76,000 (0.4% of \$19,084,000); and
- Scenario 2: Between \$0 and \$72,000 (0.4% of \$17,963,000).

¹¹ Earnings before interest, taxes, depreciation and restructuring costs.

5. CONCLUSION

Based on the documents and information provided to us, and subject to the restrictions, reservations and assumptions included herein, we are of the opinion that the estimated value of the amount owed by Aveos to Canadian North ranges between \$396,000 and \$1,593,000 as detailed in the following:

	Reference	Scenario 1		Scenario 2	
Profit margin		0%	0.4%	0%	0.4%
CN NDRA (\$)	Section 3.3	472,000		1,593,000	
(-) Profit on Costs (\$)	Section 4	-	76,000	-	72,000
Owed to Canadian North (\$)		472,000	396,000	1,593,000	1,521,000

DEMERS BEAULNE, LLP
CHARTERED ACCOUNTANTS



Michel Hamelin, CPA, CA, CA•IFA, CBV
Partner

APPENDIX 1

Aveos Fleet Performance Inc.**Aveos Balance Sheet**

(figures in C\$ mm)

	2012	2012	2011
	Jan	Feb	Dec
Assets			
Current assets			
Cash and cash equivalents	12.2	10.4	36.9
Trade receivables - Air Canada	112.2	113.6	96.6
Trade and other receivables & Prepaid expenses	31.1	31.5	34.2
Inventory	99.9	101.3	95.9
Total Current Assets	255.4	256.8	263.6
Property, plant and equipment	90.2	89.7	91.0
Intangible assets	191.6	191.1	191.9
Other assets	49.0	49.0	49.3
Total Assets	586.2	586.6	595.8
Liabilities			
Current liabilities			
Credit Facility	45.1	44.5	45.8
Trade payables - Air Canada	87.6	92.8	83.5
Trade and other payables	108.0	111.5	113.8
Net Deferred revenue	(20.3)	(23.4)	(21.2)
Customer deposits	19.8	22.7	22.9
Total Current Liabilities	240.1	248.3	244.8
Demand promissory note - Intergroup	280.1	280.1	280.1
Capital Leases Obligation & Other Liabilities	136.1	131.7	135.8
Asset Back Loan	30.1	29.7	30.5
Take-Back Term Loan	124.8	124.2	125.5
Deferred financing costs	0.0	0.0	0.0
AC Unsecured Note	22.0	22.0	22.0
Long-Term Liabilities	593.1	587.7	593.9
Total Liabilities	833.2	836.0	838.7
Shareholders' (Deficiency) Equity			
Shareholders' Equity	(247.0)	(249.4)	(243.0)
Total Liabilities + Total Shareholders' Equity	586.2	586.6	595.8

APPENDIX 2

Deferred Revenue Summary
As at February 29th, 2012

February 29th 2012
Closing Balance

Customer 1	30.0
Customer 2	0.5
Customer 3	(8.2)
Canadian North	(0.8)
Customer 5	1.5
Customer 6	1.8
Customer 7	(1.4)

Deferred Revenue Balance **23.4**

APPENDIX 3

Canadian North Deferred Revenue Account
 Contract Year-to-Date (to March 31, 2012)
 (in CAD \$)

Period	Flying Hours Applied (1)	Costs Applied (2)	Running Total (3)
Jan-09	\$ 844,248.58	\$ 388,519.05	\$ 455,729.53
Feb-09	114,297.98	364,160.56	205,866.96
Mar-09	521,926.10	1,522,982.47	(795,189.41)
Apr-09	525,087.28	(65,282.97)	(204,819.16)
May-09	522,218.88	576,974.79	(259,575.07)
Jun-09	406,342.97	470,017.92	(323,250.02)
Jul-09	(238,862.66)	897,399.93	(1,459,512.61)
Aug-09	405,770.68	901,627.87	(1,955,369.80)
Sep-09	406,329.34	698,794.48	(2,247,834.94)
Oct-09	403,072.79	285,291.27	(2,130,053.42)
Nov-09	405,021.27	922,404.52	(2,647,436.68)
Dec-09	406,901.62	(789,052.45)	(1,451,482.61)
Jan-10	409,493.79	193,701.79	(1,235,690.60)
Feb-10	370,865.51	324,417.72	(1,189,242.81)
Mar-10	384,831.56	388,875.87	(1,193,287.12)
Apr-10	398,797.61	1,174,410.84	(1,968,900.35)
May-10	634,993.84	523,469.18	(1,857,375.68)
Jun-10	451,197.60	961,876.45	(2,368,054.53)
Jul-10	474,126.45	464,169.59	(2,358,097.67)
Aug-10	523,568.43	433,974.45	(2,268,503.69)
Sep-10	565,894.56	535,332.46	(2,237,941.58)
Oct-10	532,476.42	301,896.18	(2,007,361.34)
Nov-10	513,817.08	688,871.64	(2,182,415.89)
Dec-10	450,828.63	(166,681.70)	(1,564,905.57)
Jan-11	489,569.56	413,415.79	(1,488,751.79)
Feb-11	468,505.42	622,218.10	(1,642,464.47)
Mar-11	534,827.91	542,320.81	(1,649,957.38)
Apr-11	588,456.13	400,743.39	(1,462,244.63)
May-11	649,092.94	687,526.66	(1,500,678.35)
Jun-11	625,811.35	(4,421.82)	(870,445.18)
Jul-11	645,148.96	319,178.10	(544,474.32)
Aug-11	650,274.11	299,620.34	(193,820.54)
Sep-11	684,923.80	280,075.61	211,027.65
Oct-11	649,487.01	795,132.72	65,381.94
Nov-11	685,931.25	381,158.53	370,154.66
Dec-11	720,649.60	512,092.59	578,711.67
Jan-12	615,220.12	294,781.45	899,150.35
Feb-12	699,738.99	833,460.93	765,428.40
Mar-12	414,901.42	708,533.41	471,796.41
Total	\$ 19,555,784.88	\$ 19,083,988.47	\$ 471,796.41

Sum total of Cost Applied:
 \$ 7,085,836.5890

Components	\$ 5,796,871.40
Engines	46,679.49
Overhead	1,242,285.70
Total	\$ 7,085,836.59

(4)
(4)

Notes

- (1) Represents portion of flying hours Invoiced applied to the deferred revenue accounts based on the "Matching Principle" (GAAP).
- (2) Represents direct costs incurred (labour and materials) plus estimate for overhead recovery.
- (3) Negative balance indicates account deficiency.
- (4) Flying hours invoice not paid by Canadian North.

APPENDIX 4

Aveos - Income Statement

(figures in C\$ mm)



	2012		2011	
	Jan	YTD	Jan	YTD
Revenue	49.1	49.1	47.3	47.3
EBITDAR	0.2	0.2	(0.9)	(0.9)
Restructuring and financial fees	1.3	1.3	0.9	0.9
Depreciation and Impairment	2.7	2.7	2.9	2.9
Interest	2.7	2.7	1.6	1.6
Other (FX and Misc.)	(2.0)	(2.0)	0.5	0.5
Net income (loss) before tax	(4.5)	(4.5)	(6.9)	(6.9)
Tax	0.0	0.0	0.0	0.0
Net income after tax	(4.5)	(4.5)	(6.9)	(6.9)

Aveos - Cash Flows

(figures in C\$ mm)



	2012	2011
	Jan YTD	Jan YTD
EBITDAR	0.2	(0.9)
Expenses affecting cash		
Restructuring and financial fees	(1.0)	(0.5)
Interest paid	(0.1)	(0.1)
Realized Foreign exchange gain/(loss)	0.7	0.0
Other	(0.0)	0.0
Change in working capital	(20.1)	(19.5)
Change in other assets and liabilities	0.1	(0.5)
Cash flows from operating activities	(20.1)	(21.5)
Cash flows from investing activities	(4.2)	(4.8)
Cash flows from financing activities	(0.5)	15.1
Effect of foreign currency	0.1	0.3
Cash - Beginning of period	36.9	32.2
Net increase/(decrease)	(24.7)	(10.9)
Cash - End of period	12.2	21.3

Aveos - Balance Sheet

(figures in C\$ mm)



	2012		2011	
	Jan	Dec	Jan	Dec
Assets				
Current assets				
Cash and cash equivalents	12.2		36.9	
Trade receivables - Air Canada	112.2		96.6	
Trade and other receivables & Prepaid expenses	31.1		34.2	
Inventory	99.9		95.9	
Total Current Assets	255.4		263.6	
Property, plant and equipment	90.2		91.0	
Intangible assets	191.6		191.9	
Other assets	71.1		71.4	
Total Assets	608.2		617.8	
Liabilities				
Current liabilities				
Credit Facility	45.1		45.8	
Trade payables - Air Canada	87.6		83.5	
Trade and other payables	107.4		113.5	
Net Deferred revenue	(7.3)		(8.2)	
Customer deposits	19.8		22.9	
Total Current Liabilities	252.6		257.6	
Demand promissory note - Intergroup	280.1		280.1	
Capital Leases Obligation & Other Liabilities	136.1		135.8	
Asset Back Loan	30.1		30.5	
Take-Back Term Loan	124.8		125.5	
Deferred financing costs	(10.3)		(10.8)	
AC Unsecured Note	14.6		14.4	
Long-Term Liabilities	575.4		575.6	
Total Liabilities	828.0		833.1	
Shareholders' (Deficiency) Equity				
Shareholders' Equity	(219.8)		(215.3)	
Total Liabilities + Total Shareholders' Equity	608.2		617.8	

APPENDIX 5

Michel Hamelin, CPA, CA, CA•IFA, CBV

Partner, Financial and Organizational Services, Litigation & Forensic Accounting and Business Valuation
DEMERS BEAULNE, LLP

Michel Hamelin is the lead partner in the Financial and Organizational Services (FOS) and is member of the executive committee of Demers Beaulne. He is the partner responsible for the Litigation & Forensic Accounting and Business Valuation group and has focused his practice in these areas since 1996.

Michel has worked on litigation mandates in both appraisal and counter-valuation in the following areas: breach of contracts, shareholders disputes, post-acquisition disagreements, family disputes, extra contractual responsibilities and insurance claims. He has also conducted financial investigations in the areas of accounting fraud, financial fraud and banking fraud.

In the course of his litigation and forensic accounting engagements, he has performed numerous financial damages quantification and business valuations, reviewed work by the opposing party's expert, and taken part in mediations, arbitrations, court cases and negotiations of out-of-court settlements. As well, he has testified as an expert witness in court and acted as an arbitrator.

Michel has led several financial investigations during which he determined the camouflage tactics used by the fraudulent party to conceal his actions, confronted and questioned the fraudster, regularised accounting records of the defrauded company and, finally, quantified the amount of the fraud.

His engagements carried out in transactional contexts consisted essentially to determine the value of companies and the analysis of investment projects for start-up companies, corporate reorganizations, mergers, acquisitions and others. He has also actively participated in several mandates that aimed to deliver fairness opinions related to financial transactions.

Michel realized mandates to determine the value of shares, assets, trademarks, intellectual properties and other intangibles of private and public companies for accounting purposes (purchase price allocation, goodwill impairment).

Michel has served a broad range of clients in the following industries: retail, automotive, pulp and paper, metal, high technology, telecommunications, alcoholic beverages, agri-food, printing, financial services, professional services, recreation and leisure, education, health, Indian Affairs and cinematography, among others.

He has been a lecturer at HEC Montréal, since 1994, and at Rotman School of Management of University of Toronto, from 2001 to 2004. At HEC Montréal, he taught litigation & forensic accounting (loss quantification and financial investigations), finance and business valuations. In addition, he has taught the following courses several times: cost accounting, internal control and management accounting. He has also been invited by HEC Montréal on numerous occasions as an industry specialist in the preparatory courses for the Uniform Final Examination of Chartered Accountants.

Diplomas

- Bachelor of Business Administration from HEC Montréal, 1991

Professional Affiliations

- Member of the Institute of Professional Chartered Accountants of Québec (CPA, CA)
- Member of The Alliance for Excellence in Investigative and Forensic Accounting, CICA (CA•IFA)
- Member of The Canadian Institute of Chartered Business Valuators (CBV)

500-11-042345-120

N°

COURT **SUPERIOR**
(Commercial Division)

DISTRICT **OF MONTRÉAL**

*In the matter of the proposed plan of compromise and
arrangement of:*

AVEOS FLEET PERFORMANCE INC./
AVEOS PERFORMANCE AÉRONAUTIQUE INC.

and

AERO TECHNICAL US, INC.
Insolvent Debtors/Petitioners

AVEOS FLEET PERFORMANCE INC./
AVEOS PERFORMANCE AÉRONAUTIQUE INC.

Insolvent Debtor/Plaintiff

vs

CANADIAN NORTH INC.

Respondent/Cross-Plaintiff

and

FTI CONSULTING CANADA INC.
Mis-en-cause/Monitor

EXHIBIT D-19

REF.: ME STÉPHANE HÉBERT 144370-0003

Miller
Thomson
avocats | lawyers