

EXHIBIT D-12

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No: 500-11-042345-120

SUPERIOR COURT

Commercial Division

(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act,
R.S.C. 1985, c. C-36)

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

and

FTI CONSULTING CANADA INC.

Mis en Cause/Monitor

RESPONSES TO ADDITIONAL QUESTIONS AND UNDERTAKINGS IN COMPLEMENT OF MR.
PETER TIMOTHEATOS' EXAMINATION BEFORE PLEA

1. **Question 1:** *Was the Canadian North Deferred Revenue Account balance in a credit balance at the time of Aveos' CCAA filing?*

Record keeping associated to the Deferred Revenue Accounts is a manual process; as such data is not updated on a real-time basis. The February 28th, 2012 balance would have been the last carrying balance reflected in the books and records of the Company prior to filing. The estimated balance to March 31st, 2012 was prepared at the request of Canadian North counsel.

According to the revised Canadian North Account to March 31, 2012 provided as undertaking regarding Mr. Peter Timotheatos examination before Plea on September 17, 2012 under tab 4 (the "Revised Account"), the credit balance at the end of March 2012 was \$471,796.41 and the credit balance at the end of February 2012 was of \$765,428.40. The credit balance on March 19, 2012 is not available. There was no work done or flying hours charged after this date, so the credit balance on March 19, 2012 would be \$471,796.41.

2. **Question 2:** *Is a credit balance in the Canadian North Deferred Revenue Account shown as a liability on the Aveos Balance Sheet?*

When the non-cash deferred account is in a credit position it is reflected as a liability on the Aveos Balance Sheet. When in a debit position it is reflected as an asset on the Company's statutory balance sheet. For internal management financial statements, the total of all deferred accounts is presented on a net basis regardless of their individual debit or credit position.

3. **Question 3:** *Follow up to question #60 of Mr. Timotheatos' examination: do you agree that the Deferred Revenue Account in a credit position would indicate that payments have been received but the related "event activity" or services have not yet been performed?*

This is an incorrect statement. There is no relationship between payments applied to the Deferred Revenue Account and performance of services. The credit position is a simple accounting entry based on accounting principles. 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. As the contract stipulates one PBH rate for multiple services provided to Canadian North, there is no definitive correlation that can be made between the amount applied to the accounts and events that may or may not be performed. The estimate applied to the deferred account may be revised from time to time based on experience or new information.

4. **Question 4:** *Follow-up to question #89: in the document provided at Tab 4 entitled "Canadian North Deferred Revenue Account" in response to the undertakings ("Tab 4") there is \$1,242,285 allocated for overheads. In Answer to Question 89, Mr. Timotheatos says there is nothing allocated for factory overheads. We have not been provided with any details for the overheads purported to be allocated against the Canadian North Deferred Revenue Account in Tab 4. Please verify and confirm the details of what constitute the overhead entries in Tab 4.*

There is no specific overhead expense applied to the Deferred Revenue Account. Materials and labour can be tracked to actual expenses but company overhead costs are more general due to their centralized nature. Overheads will 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.).

5. **Question 5:** *On the document at Tab 4, the running total of the Deferred Revenue Account at the end of February 2012 was represented as being a positive \$471,796;*

a. *In the detailed information provided on the CD Rom in response to Undertaking 4 ("CD Room") there are costs allocated for aircraft which Canadian North does not operate. A summary of these costs are contained in the attached file entitled "Cost Summary by Type". Please verify whether these costs have been properly allocated to Canadian North.*

b. *Do you agree that if the amounts for Other Aircraft have been allocated to Canadian North's Deferred Revenue Account in error, the positive balance of the account should increase by an amount equal to the amount applied in error? If it is the case, please confirm with an updated Deferred Revenue Account balance calculation.*

There is an error in the question statement: the amount of \$471,796 in a running total of the Deferred Revenue Account in March 2012 and not February as mentioned in the "List of Additional Questions and Undertakings in Complement of Mr. Peter Timotheatos' Examination before Plea".

Per the Revised Account, the balance as at the end of February 2012 was estimated to be \$765,428.40. The balance as at March 31, 2012 was estimated to be \$471,796.41.

a) As Canadian North is not responsible for costs incurred by Aveos, but rather for flying hour charges specified in its contract, there is no impact on Canadian North in the event of any such error. However, after review by management and personnel of Aveos, I am advised that these costs have been properly allocated to Canadian North, for the following reasons:

1. The classification (767, CRJ etc.) are based on the Part Number Class Code. Every part number is assigned a class code that defines an Aircraft type/Application. This does NOT mean that it is exclusive to that application. As such, it doesn't mean that a part defined as something other than 737 was not from Canadian North origin.
2. The one driver that always governs where the charges align to is the JAN (Job Account Number). This JAN is assigned at the incoming of a customer order and forces all charges linked to the JAN to be associated with the Customer Account. For this, Aveos provided the detailed incoming customer orders related to the 102 CDNN transactions in the file (TAB 1). Aveos compiled a system download and for all those not identified as 737, Aveos further provided the PDF screen shots from ARTOS confirming the details in the Excel file (TAB 2 to TAB 17). From this

you have the MPN, Serial Number (where applicable) and all relevant details linking this to Canadian North at the incoming. Aveos also made a selection of 2 items (highlighted in yellow on **TAB 1E**) with non 737 classification and provided further details which show points 1 & 2 above: for JANs: 8A6M20316 & 8A6M53970, Aveos attached the supplemental ARTOS screen shots which will identify the classification indicated (**TAB 2** and **TAB 3**);

- b) Not necessarily. The deferred balance is the net result of revenues applied to the account (based on management estimates) and costs. If costs applied to the account were erroneous then consideration would also need to be given as to whether excessive revenues have been applied or if costs have been omitted. The purpose of the non-cash deferred revenue account is to match revenues with expenses incurred. If fewer costs are incurred then potentially the revenue estimate applied may also be reduced.

6. **Question 6:** *The attached document entitled "Material and OV Summary" shows that a total of \$77,984 of costs applied to Canadian North Deferred Revenue Account after March 18, 2012:*

a. *Why have these costs been applied after March 18, 2012?*

b. *Do you agree that costs applied against the Canadian North Deferred Revenue Account after March 18, 2012, if applied in error, should be reversed, thereby increasing the amount of the positive balance in the Canadian North Deferred Revenue Account? If it is the case, please confirm with an updated Deferred Revenue Account balance calculation.*

As explained in the response to Question 1) above, the maintenance of these accounts is a manual process with journal entries being applied to the account only at the end of the month. No costs are applied mid-month (March 18th).

7. **Question 7:** *It is noted that the overheads applied in Tab 4 account for 17.5% of the total costs of \$7,085,836 for the period from January 2011 to February 2012. Do you agree that this is a very high percentage for overheads?*

There is no reference point provided in the question to understand by what measure the overhead applied is excessive in counsel's view. The allocation of overhead is only 13.6% when considered against the revenues applied to the same reference period. When comparing aggregate overhead costs incurred by the Company for the 12-month period ended as at December 31st overheads represent 21% of recognized revenues. The exercise is subjective especially when considering the measurement uncertainty associated to the deferred account.

8. **Question 8:** *Please confirm that this percentage of overhead would be representative of overheads generally applied to other similar customers. If it is higher than that percentage of overhead applied to other similar customers why has it been applied at the rate represented in Tab 4?*

It is important to note that I do not recall any other customer that had a similar contract to Canadian North in terms of scope of services. No two contracts are alike. However, all customers incur an overhead charge. Additionally, costs applied to the account cannot exceed the maximum cash invoiced to the customer. As such, overhead charges may vary from customer to customer.

9. **Question 9:** *Mr. Timotheatos stated in his testimony that Heavy Maintenance was billed separately to the PBH: Why then are the two charges totalling \$327,907.38 that are related to Heavy Maintenance at Kelowna Flightcraft included in the Deferred Revenue Account costs details?*

Kelowna Flight Craft is a vendor, not a customer. This means that some of the work would have been outsourced to this vendor. The costs in this journal entry are related to FIN 582. This particular entry selected is also a reversal of the previous month's entry (see response for Question 10, below). The attached Excel document labeled GL Journal ID Detail (**TAB 18**) is the detail for the journal entry.

It is important to note that while this account does not appear to contain errors, in any event, Canadian North is not liable for costs. Any inefficiencies or erroneous costs incurred or applied by Aveos are borne by Aveos not Canadian North.

10. **Question 10:** *WIP charges normally cancel with debits and credits. There are three WIP entries totalling \$40,912.53 that do not appear on the CD Rom, as detailed in the attached file entitled "WIP entries that don't balance". Could these charges be erroneously applied? Please verify and confirm.*

Again, it is important to note that these costs are not "charged" to Canadian North. Canadian North is only charged for flying hours not costs applied to the deferred account.

The information is on the CD ROM is taken from a P&L account, and the way the accounting works is as follows:

A. During the month, as invoices are received from vendors, the journal entry to set up the payable is:

DR Expense

CR A/P

B. 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:

DR Work In Process ("WIP")
CR Expense

D. On the first day of the next month, to reverse the month-end entry (#2 above), the journal entry is:

DR Expense
CR WIP

The accounting is done this way due to the limitations of the accounting systems. The accounting system automatically expenses all costs incurred without regard as to whether the work has been completed. As such, we must manually remove these costs from the income statement to reflect the Company's policy to record such costs on the income statement only when the work is complete.

The reason that these entries do not appear on the CD ROM is that these amounts occurring on the first of the month represent the reversal entries of an entry that took place the month before, therefore the net impact on both income statement and Balance Sheet is nil. The Excel document attached labeled Extract from Account System (PeopleSoft) for Specific Journal Entries (TAB 19) shows the complete journal entries for each transaction and demonstrates this net impact of zero.

11. **Question 11:** *There is a charge that has been input 4 times and debited twice in the information provided on the CD Rom and as detailed on the attached file entitled "Item charged twice". For many other items a similar pattern exists but the difference between debits and credits is one so that the item is charged once. With the difference of two it appears the item was charged twice at \$12,250.00 causing an equal amount being overcharged. Please verify and confirm if this is an overcharge to the Canadian North Deferred Revenue Account.*

These costs are not "charged" to Canadian North. Canadian North is only charged for flying hours not costs applied to the deferred account. Canadian North cannot be overcharged.

12. **Question 12:** *The attached file entitled "Canadian North Investigation" shows a single line but in most cases there are a great number of credits and debits for the same item. This will highlight these items of concern for Canadian North. Please verify and confirm if these items have been applied correctly to the Canadian North Deferred Revenue Account.*

Please refer to the response to Question #10, above. As we understand this question, it is of the same nature.

Montreal, October 23, 2012

A handwritten signature in cursive script, reading "Fraser Milner Casgrain LLP". The signature is written in black ink and is positioned above a horizontal line.

FRASER MILNER CASGRAIN LLP

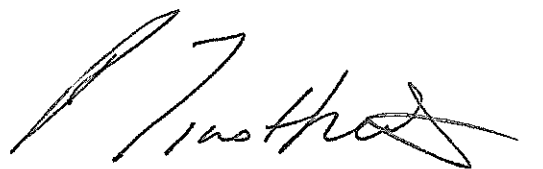
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, **PETER TIMOTHEATOS**, chartered accountant, domiciled, for the purposes hereof, at 7171, Côte Vertu West, in the City of Montreal, Province of Quebec, do solemnly declare:

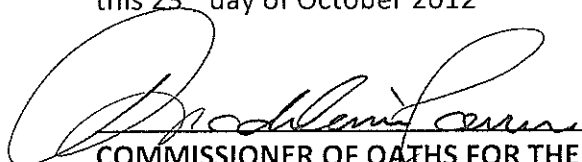
1. I was the Chief Financial Officer of Aveos Fleet Performance Inc.;
2. I have personal knowledge of the facts alleged in the present procedure, which are true.

AND I HAVE SIGNED:



PETER TIMOTHEATOS

SOLEMNLY DECLARED before me at Montreal,
this 23rd day of October 2012



COMMISSIONER OF OATHS FOR THE
PROVINCE OF QUÉBEC

