

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

S U P E R I O R C O U R T  
Commercial Division  
*Designated tribunal under the  
Companies' Creditors Arrangement Act*<sup>1</sup>

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

DEBTORS

- and -

FTI CONSULTING CANADA INC.  
MONITOR

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

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**INTRODUCTION**

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

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

2. On April 5, 2012, the Court granted a first extension of the Stay Period until May 4, 2012. During this hearing, the Court heard the testimony of the CRO (Mr. Jonathan Solursh) and of the Monitor (Ms. Toni Vanderlaan) concerning the restructuring efforts to date and a proposed divestiture process (the “**Divestiture Process**”).
3. The purpose of this report is to outline the proposed Divestiture Process and to present the Monitor’s recommendation with respect to the Company’s Motion for approval of the proposed Divestiture Process.
4. In preparing this report, the Monitor has relied upon unaudited financial information of the Debtors, the Debtors’ books and records, certain financial information prepared by the Debtors and discussions with the Debtors’ management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management’s assumptions regarding future events; actual results may vary from forecast and such variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## **THE DIVESTITURE PROCESS**

6. Capitalized terms used in this section of this report, are as defined in the Divestiture Process unless otherwise defined.
7. The Divestiture Process has been provided to the Court as Exhibit P-1 to the Company’s Motion dated April 18, 2012.

8. The Company is offering for sale each of its three primary lines of business, redundant tools and other assets.
9. The Divestiture Process will be run in two phases each of which is described in greater detail below.
10. Phase 1 will consist of a due diligence period commencing with the approval of the Divestiture Process by the Court and ending with the Phase 1 Bid Deadline, noon Eastern Daylight Time, May 29, 2012. During Phase 1 Potential Bidders will be required to:
  - (a) Execute a Non-Disclosure Agreement, satisfactory to Aveos;
  - (b) Supply to the CRO the completed Participation Documents;
  - (c) Complete their due diligence, conduct a facility tour if requested and conduct meetings with management;
  - (d) Submit their bid in the form of Purchase Agreement to be provided, including the required Deposit; and
  - (e) Provide any further information reasonably requested by the Company in assessing a Phase 1 Qualifying Bid.
11. Following the Phase 1 Bid Deadline, the Company will on or before June 1, 2012 notify those parties who have been selected to move to Phase 2 of the Divestiture Process. Those parties who are not selected to move to Phase 2 will be refunded the Deposit provided in Phase 1.
12. Phase 2 will commence on or before June 1, 2012 and will run for a total of ten days. The first eight days will be available for Aveos to negotiate with parties to finalize the terms of their bid and may involve discussions with interested parties, including customers, the IAMAW and regulatory authorities. The additional 2

- days will be reserved for a final private and confidential closed auction, to negotiate, finalize and select the Accepted Bids.
13. Accepted Bids will require Court approval pursuant to a timeline which has not been set at this time, but it is presumed that it will be in the interest of all parties to move forward and complete a transaction as quickly as possible and that the required motions for Court approval will be made promptly following the conclusion of Phase 2.
  14. The assets of the Company are being offered on an “as is, where is” basis subject only to the limited representations and warranties to be as set forth in the Purchase Agreement.
  15. The Company will attempt to solicit bids by canvassing the market internationally and the Divestiture Process will be advertised internationally with notices to be posted in the following paper or electronic publications: La Presse, the Globe & Mail, the Wall Street Journal, the Financial Times, a paper to be designated with wide circulation in Asia as well as Debtwire and other industry specific publications or websites.
  16. Any interested parties who requests to participate in the Divestiture Process will be sent the Introductory Letter outlining the Divestiture Process and how they may participate.
  17. The Company and the CRO are working and will continue to work in close co-operation with the Monitor in respect of the Divestiture Process.
  18. The Divestiture Process has been carefully designed and developed by the CRO in consultation with the Monitor with a view to maximizing recovery and facilitating a transaction or transactions that could lead to the restart of one or more of the divisions of the Company. The timelines contemplated under the proposed Divestiture Process were afforded considerable attention by the CRO and the Monitor given various factors, including:

- (a) The overall objective of maximizing recovery and facilitating a transaction or transactions that could lead to the restart of one or more of the divisions of the Company;
- (b) The fact that operations of the Company have been shut-down and most of the work-force has been laid-off;
- (c) The complex nature of business and the need to establish or maintain stable relations with a limited base of important and sophisticated clients;  
and
- (d) The financial resources available to support the Divestiture Process.

## **CONCLUSION**

- 19. The Divestiture Process is designed to create a competitive and transparent process for the sale of the main business divisions and other redundant assets of the Company. The proposed timeline is considerably tight for a business with this degree of complexity and regulatory oversight however the requirement to close a transaction swiftly is necessitated by the expectation that greater harm is being put upon the various stakeholders by further delay of the restart of this business and the limited cash available to the Company to fund a lengthier process.
- 20. The Monitor is of the view that the relief requested by the Company in respect of the approval of the proposed Divestiture Process is fair and appropriate and that such relief should be granted as requested.

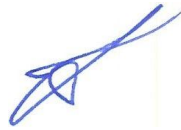
The Monitor respectfully submits to the Court this Third Report.

Dated this 18<sup>th</sup> day of April, 2012.

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



Greg Watson  
Senior Managing Director



Toni Vanderlaan  
Managing Director