

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF JAMES ROBERT TUCKER, RICHARD HEIS AND
ALLAN WATSON GRAHAM OF KPMG LLP, AS JOINT ADMINISTRATORS**

Applicants

**AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED
and AERO INVENTORY PLC**

Respondents

**APPLICATION UNDER SECTIONS 46 AND FOLLOWING OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**MOTION RECORD
(Motion Returnable December 1, 2009)**

November 27, 2009

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Tab 1

**ONTARIO
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CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**NOTICE OF MOTION
(Returnable December 1, 2009)**

The Applicants will make a motion to a Judge presiding over the Commercial List on Tuesday, December 1, 2009, at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

- (a) An order abridging the time for service of the Notice of Motion and the Motion Record in respect of this motion, so that this motion is properly returnable today, and dispensing with further service thereof;

- (b) An order (the “**Receivership Order**”) pursuant to Section 49 of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C-43, as amended (the “**CJA**”), appointing KPMG Inc. as receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties of Aero Inventory (Canada) Inc./Aero Inventaire (Canada) Inc. (the “**Aero Canada**”); and
- (c) Such further and other relief as this Honourable Court deems just;

THE GROUNDS FOR THE MOTION ARE:

Background

- (a) Aero Inventory (UK) Limited (in administration) and Aero Inventory plc (in administration)(collectively, the “**Foreign Debtors**”), Aero Canada and their various other affiliates form an integrated and interdependent group of companies that supply parts to the airline industry;
- (b) The Foreign Debtors have become unable to pay their debts as they become due and certain lenders have made demands for repayment of loans totalling over \$490 million;
- (c) The Foreign Debtors and their international affiliates including Aero Canada, taken together, are insolvent;
- (d) On November 11, 2009, administration proceedings (collectively, the “**Foreign Proceedings**”) were commenced in respect of each of the Foreign Debtors in the High Court of Justice of England and Wales (Chancery Division, Companies Court) (the “**English Court**”);
- (e) Pursuant to orders issued by the English Court in the Foreign Proceedings, James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP (collectively, the “**Foreign Representatives**”) were appointed as joint administrators of the affairs, business and property of the Foreign Debtors;

- (f) On November 11, 2009, this Honourable Court made an order (the “**Recognition Order**”), *inter alia*:
- (i) recognizing and enforcing the terms of the orders made November 11, 2009 by the English Court,
 - (ii) recognizing the Foreign Proceedings as “foreign main proceedings” pursuant to Section 47 of the CCAA,
 - (iii) recognizing the Foreign Representatives as “foreign representatives” as defined in Section 45 of the CCAA, and
 - (iv) appointing KPMG Inc. as Information Officer in respect of these proceedings;
- (g) Similar recognition was sought and received, or is being considered, in at least six other jurisdictions;

Aero Inventory (Canada) Inc.

- (h) Aero Canada currently has approximately 20 employees but has minimal assets and no business or source of revenue other than through its provision of services to the Foreign Debtors;
- (i) Aero Canada services the two Canadian customers of the Foreign Debtors and is the key contact in maintaining those customer relationships and ensuring a sufficient supply of inventory is available for those customers;
- (j) Aero Canada is in possession of books and records, including inventory records, that are of great importance to the Foreign Debtors and their creditors;
- (k) Following the issuance of the Recognition Order, Aero Canada’s managing director resigned and 39 employees of Aero Canada were terminated;

The Appointment of the Receiver is appropriate in the circumstances

- (l) The appointment of the Receiver over the affairs of Aero Canada will assist in the coordination of the global efforts of the Foreign Representatives in the Foreign Proceedings, particularly considering the value and quantity of assets that the Foreign Debtors have at risk within Canada and the on-site services provided to the Foreign Debtors by Aero Canada;
- (m) Incorporating Aero Canada into the existing framework created by the Foreign Proceedings is an efficient and practical step in the circumstances and avoids a multiplicity of proceedings;
- (n) The Information Officer and the Foreign Representatives are concerned about the continued governance and stewardship of Aero Canada, particularly in view of the recent resignation of Aero Canada's managing director following the Recognition Order, and stability at Aero Canada's level is important to the realization of the goals of the Foreign Proceedings;
- (o) Having regard to all the circumstances, the appointment of the Receiver by this Court is necessary for the protection of Aero Canada's and the Foreign Debtors' property and the interests of the Foreign Debtors' creditors, and is consistent with the provisions of Section 49 of the CCAA and Section 101 of the CJA;
- (p) The appointment of the Receiver is also necessary to maintain existing business relationships with the Foreign Debtors' Canadian customers in the near-term and is just and convenient in the circumstances;
- (q) KPMG Inc. is an appropriate choice for the appointment of a receiver and manager in respect of Aero Canada's assets, property and undertakings, as it has already been appointed Information Officer in relation to the Foreign Debtors in Canada and it is an affiliate of the Foreign Representatives' firm, KPMG LLP;

- (r) Section 49(1) of the CCAA;
- (s) Section 101 of the CJA;
- (t) Such further and other grounds as counsel may advise and this Honourable Court may permit;

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) The Recognition Order;
- (b) Report of the Foreign Representatives dated November 27, 2009;
- (c) Pre-Filing Report of the Proposed Information Officer dated November 10, 2009;
- (d) Consent of the Receiver to act; and
- (e) Such further and other material as counsel may advise and this Honourable Court may permit.

November 27, 2009

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36,
AS AMENDED**

**AND IN THE MATTER OF JAMES ROBERT TUCKER, RICHARD HEIS AND ALLAN WATSON
GRAHAM OF KPMG LLP, AS JOINT ADMINISTRATORS (Applicants)**

**AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED and AERO INVENTORY PLC
(Respondents)**

**APPLICATION UNDER SECTIONS 46 AND FOLLOWING OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF MOTION
(Returnable December 1, 2009)**

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Solicitors for the Applicants

Tab 2

AERO INVENTORY (CANADA) INC. /AERO INVENTAIRE (CANADA) INC.

**REPORT OF THE JOINT ADMINISTRATORS OF AERO INVENTORY (UK)
LIMITED (IN ADMINISTRATION) AND AERO INVENTORY PLC (IN
ADMINISTRATION)**

November 27, 2009

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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**APPLICATION UNDER SECTIONS 46 AND FOLLOWING OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

REPORT OF THE JOINT ADMINISTRATORS

November 27, 2009

INTRODUCTION

1. This report has been prepared in support of the Applicants' motion before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c-36, as amended (the "CCAA"), and the *Courts of Justice Act*, R.S.O. 1990, c. C-43, as amended, appointing KPMG Inc. ("KPMG Canada") as receiver and manager of Aero Inventory (Canada) Inc./Aero Inventaire (Canada) Inc. ("Aero Inventory Cda").
2. The purpose of this report is to provide this Honourable Court with information on the following:
 - background information regarding the appointment of the Joint Administrators (as defined below) and the subsequent Recognition Order (as defined below) issued by this Honourable Court;

- an overview of Aero Inventory Cda's business;
- an overview of Aero Inventory Cda's financial situation;
- an explanation of the interdependence between Aero Inventory (UK) Limited (in administration) and Aero Inventory plc (in administration) (collectively, the "Foreign Debtors") and Aero Inventory Cda;
- KPMG Canada's qualifications to act as the receiver and manager of Aero Inventory Cda (the "Receiver and Manager") if appointed; and
- Funding of the Receiver and Manager.

SCOPE

3. In preparing this report, the Joint Administrators have relied solely on information supplied by Aero Inventory Cda, primarily in the form of discussions with management supplemented with certain unaudited financial information. Neither the Joint Administrators nor KPMG Inc. have audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and accordingly express no opinion or other form of assurance on the information contained in this report.
4. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars.

APPOINTMENT OF THE JOINT ADMINISTRATORS AND SUBSEQUENT ISSUANCE OF THE RECOGNITION ORDER

5. The Foreign Debtors, along with Aero Inventory Cda and their various other affiliates, form an integrated and interdependent group of companies (collectively, the "Aero Group") that supply parts to the airline industry;
6. The Foreign Debtors have become unable to pay their debts as they become due and certain lenders have made demands for repayment of loans totaling over \$490 million;
7. The Foreign Debtors and their international affiliates, including Aero Inventory Cda, taken together, are insolvent.
8. On November 11, 2009, administration proceedings (collectively, the "Foreign Proceedings") were commenced in respect of the Foreign Debtors in the High Court of Justice of England and Wales (Chancery Division, Companies Court) (the "English Court");
9. Pursuant to orders issued by the English Court in the Foreign Proceedings, James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP (collectively, the "Joint

Administrators” or the “Foreign Representatives”) were appointed as joint administrators of the affairs, business and property of the Foreign Debtors;

- 10. On November 11, 2009, this Honourable Court made an order (the “Recognition Order”), *inter alia*:
 - (i) recognizing and enforcing the terms of the orders made November 11, 2009 by the English Court;
 - (ii) recognizing the Foreign Proceedings as “foreign main proceedings” pursuant to Section 47 of the CCAA;
 - (iii) recognizing the Foreign Representatives as “foreign representatives” as defined in Section 45 of the CCAA; and
 - (iv) appointing KPMG Inc. as Information Officer in respect of these proceedings.
- 11. Similar recognition was sought and received or is being considered in at least six other jurisdictions.

OVERVIEW OF AERO INVENTORY CDA’S BUSINESS

- 12. Aero Inventory Cda is a New Brunswick incorporated company whose registered head office is at 394 Isabey, Bureau 250, Saint-Laurent, Quebec. Aero Inventory Cda is a wholly owned subsidiary of Aero Inventory (UK) Limited (in administration) (“Aero Inventory UK”), a company registered in England and Wales, which is, in turn, a wholly owned subsidiary of Aero Inventory plc (in administration), an AIM – listed company.
- 13. Aero Inventory UK is the main operating company of the Aero Group, its principal activity being the provision of a comprehensive procurement and inventory management service to companies in the aerospace industry. Specifically, Aero Inventory UK sources, distributes and sells consumable and expendable parts (e.g., bearings, fasteners and gaskets) required in the maintenance of aircraft, its customers being airlines and aerospace maintenance and repair companies around the world.
- 14. The inventory owned by Aero Inventory UK is physically located on its customers’ premises, with the customer drawing on the inventory as required. The customer is subsequently billed for the inventory it consumes. Aero Inventory UK is responsible for projecting the customers’ future parts requirements, comparing same to existing inventory, and arranging to procure parts to avoid a stock-out situation.
- 15. Aero Inventory UK has two Canadian-based customers; Aveos Fleet Performance Inc. (“Aveos”) and Air Canada. Aero Inventory UK owns all the inventory of the Aero Group located in Canada, with the inventory being physically located at Aveos managed facilities that Aveos leases from Air Canada. Aero Inventory UK also owns all the receivables associated with the Aveos and Air Canada contracts. However, Aero Inventory UK has no employees physically located in Canada, relying on Aero Inventory Cda employees to

perform many of the functions associated with the Aveos and Air Canada contracts.

16. Aero Inventory Cda's sole activity is the provision of management services to Aero Inventory UK. Specific activities performed for Aero Inventory UK by Aero Inventory Cda employees with respect to the Aveos and Air Canada contracts include the following:
- Projecting future parts requirements of Aveos and Air Canada and comparing same to existing inventory levels to determine procurement requirements;
 - Placing purchase orders in the name of Aero Inventory UK for parts that are anticipated to be required for performance of the Aveos and Air Canada contracts;
 - Accepting receipt of parts ordered from suppliers, inspecting same, and arranging for the parts to be shipped to the Aveos managed warehouses;
 - Assisting in the preparation of the monthly invoices to Aveos and Air Canada; and
 - Analyzing physical test counts of Aero Inventory UK's inventory, which counts are performed by Aveos personnel.

There is no written agreement outlining the services being performed by Aero Inventory Cda (there is, however, a brief email indicating that Aero Inventory UK will pay a five percent markup on Aero Inventory Cda's costs to provide the services).

17. Since the appointment of the Joint Administrators on November 11, 2009, parts procurement for the Aveos and Air Canada contracts has stopped. The Joint Administrators have requested, by letter dated November 11, 2009, that the two customers pay for parts consumed after November 10, 2009, without set-off, and with no product liability falling on the Joint Administrators, failing which they should stop drawing on Aero Inventory UK's inventory. The two customers have not formally acknowledged the Joint Administrators' letter and are continuing to draw on Aero Inventory UK's inventory.
18. Aero Inventory Cda has twenty employees as at the date of this report, having terminated thirty-nine on November 18, 2009. The managing director of Aero Inventory Cda, who was the most senior employee of Aero Inventory Cda and the person to whom most employees of Aero Inventory Cda ultimately reported (some Aero Inventory Cda employees report to employees of Aero Inventory UK physically located in the UK), resigned effective November 18, 2009.

OVERVIEW OF AERO INVENTORY'S FINANCIAL SITUATION

19. Aero Inventory Cda's balance sheet as at October 31, 2009 indicates total assets of approximately \$652,000 and shareholders' equity of positive \$321,931. The assets of Aero Inventory Cda comprise approximately \$9,000 of cash in the bank, \$62,000 of deposits/prepayments (primarily to their landlord), \$49,000 of intercompany receivables, and

office furniture, equipment and computer equipment with a net book value of approximately \$532,000. Liabilities include approximately \$136,000 of trade payables and other liabilities, and \$195,000 of taxes payable (i.e., GST, QST and corporate income tax)

- 20. Aero Inventory Cda's sole source of funding is its parent; Aero Inventory UK (i.e., Aero Inventory Cda does not have its own banking facility). Since the appointment of the Joint Administrators on November 11, 2009, no funding has been provided to Aero Inventory Cda by Aero Inventory UK. The balances of Aero Inventory Cda's bank accounts totaled \$4,217 and US \$692 as at 1:55pm on November 19, 2009.
- 21. Given its lack of funding, Aero Inventory Cda has not been able to pay its normal operating expenses as they fall due. Specifically, Aero Inventory Cda has not paid the following:
 - The November rent for the 394 Isabey premises, totaling approximately \$21,700, which was due November 1, 2009.
 - The November rent due to Air Canada for a small office located in Vancouver, totaling, approximately \$900, which was also due November 1, 2009.
- 22. Aero Inventory Cda has also advised the employees that were terminated on November 18, 2009 that it does not have the funds to pay them salary, vacation pay, or severance and termination pay they are due. Aero Inventory Cda has estimated that the salary, vacation pay and severance and termination pay due to the terminated employees is approximately \$300,000.
- 23. The Joint Administrators' Canadian legal counsel, Ogilvy Renault LLP, has advised that no secured creditors of Aero Inventory Cda, if any exist, have maintained registrations in the Register of Personal and Movable Real Rights in the Province of Quebec, or in the applicable personal property registry systems of Ontario, Manitoba, Alberta or British Columbia as of November 4, 2009.

INTERDEPENDENCE BETWEEN THE FOREIGN DEBTORS AND AERO INVENTORY CDA

- 24. The Joint Administrators are negotiating with each of Aveos and Air Canada regarding their interest in continuing to purchase Aero Inventory UK's inventory over the short to medium term.
- 25. If the Joint Administrators are successful in their negotiations with Aveos and/or Air Canada, they will require the services of Aero Inventory Cda personnel to perform under these arrangements.
- 26. In addition, the Joint Administrator will require the services of Aero Inventory Cda personnel to analyze the inventory that is anticipated to remain at the expiry of any new Aveos and/or Air Canada contract.

27. Finally, the Joint Administrator will require the services of Aero Inventory Cda personnel to assist in the preparation of invoices to Aveos and Air Canada for inventory both consumed up to November 10, 2009 and thereafter.
28. Aero Inventory Cda also has in its possession information regarding Aero Inventory UK's inventory, including the consumption history of Aveos and Air Canada, that could be useful to the Joint Administrators in terms of maximizing realizations on the inventory.
29. The appointment of KPMG Canada as Receiver and Manager is essential to the Aero Group's coordinated global efforts, particularly considering the value and quantity of assets that the Aero Group has in Canada. The Joint Administrators are in contact with Mr. Martin Webster, who appears to be the only director of Aero Inventory Cda actively involved in the management of the affairs of Aero Inventory Cda. Mr. Webster is cooperating with the Joint Administrators and the proposed receiver and manager and has indicated his consent to the appointment of the Receiver and Manager.

KPMG CANADA'S QUALIFICATION TO ACT AS RECEIVER AND MANAGER

30. KPMG LLP in the United Kingdom ("KPMG UK") was recently retained by Lloyds Commercial Finance Limited TSB ("Lloyds") and Barclays Bank PLC, in their capacity as Joint Coordinators for a lending syndicate that advanced funds to Aero Inventory plc and its subsidiaries, to provide financial advice regarding the Foreign Debtors. KPMG Canada has provided some assistance to KPMG UK in fulfilling this mandate. However, KPMG UK's engagement with Lloyds and Barclays Bank PLC concluded on the Foreign Debtors' court application seeking the appointment of the Joint Administrators.
31. Nicholas Brearton, the individual within KPMG Canada with primary carriage of this matter, is a trustee within the meaning of subsection 2 (1) of the *Bankruptcy and Insolvency Act* (Canada). Neither KPMG Canada, nor any of its affiliates, have been at any time in the two preceding years:
- i) the auditor, accountant or legal counsel of any of the Foreign Debtors or Aero Inventory Cda or a partner or employee of any such auditor, accountant or legal counsel;
 - ii) a director, an officer or an employee of the Foreign Debtors or Aero Inventory Cda;
 - iii) related to the Foreign Debtors or Aero Inventory Cda, or to any director or officer of the Foreign Debtors or Aero Inventory Cda;
 - iv) trustee under a trust indenture issued by any of the Foreign Debtors or Aero Inventory Cda or any person related to the Foreign Debtors or Aero Inventory Cda, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the *Civil Code of Quebec* that is granted by the Foreign Debtors or Aero Inventory Cda or any person related to the Foreign Debtors or Aero Inventory Cda; or
 - v) related to any trustee or holder of a power of attorney referred to in (iv) above.

32. KPMG Canada has identified the following relationships which certain of its global affiliates have had with the Aero Group in the last three years:

- Between May 2007 and October 2009, KPMG provided the Foreign Debtors with indirect tax advisory services to the value of £650,000. The services included advising on processes, procedures and controls in relation to import and export issues including country specific advice in the UK, US, El Salvador, Mexico and Switzerland. Approximately £300,000 of this account remains unpaid or unbilled.
- In April 2008, KPMG was engaged by the Foreign Debtors to provide confirmation, clarification and guidance on the application of generally accepted accounting principals in relation to inventory and business combination accounting. The scope of the engagement was illustrative, with no reference to specific transactions. Any specific transaction analysis was to follow by separate instruction if required. No such further instruction was received. Fees earned in relation to this work were approximately £3,000.
- As discussed previously, KPMG Canada is the Information Officer pursuant to the Recognition Order.
- The Joint Administrators are partners of KPMG UK.

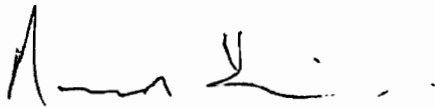
33. KPMG Canada has consented to act as Receiver and Manager should this Honourable Court grant the Applicants' Court application.

FUNDING OF THE RECEIVER AND MANAGER

34. If this Honourable Court appoints the Receiver and Manager, the Joint Administrators will fund the activities of the Receiver and Manager, including the cost of employees (initially the Receiver and Manager will be utilizing twenty existing employees of Aero Inventory Cda along with one consultant), occupancy costs, (including leased equipment and utilities) and communication costs. The Joint Administrators have also agreed to fund the Receiver and Manager for unpaid payroll and accrued vacation pay, up to the date of the Receiver and Manager's appointment, associated with both the twenty employees the Receiver and Manager intends to utilize and the thirty-nine employees that Aero Inventory Cda terminated on November 18, 2009 (for greater certainty, the Joint Administrators will not be funding employees' severance and termination amounts). Finally, the Joint Administrators will also fund the fees and expenses of the Receiver and Manager and its legal counsel.
35. The operational activities of the Receiver and Manager will be completely dependent on the level of management support the Joint Administrators require from Aero Inventory Cda to effect whatever arrangements are finally concluded with Air Canada and Aveos. As such, the Joint Administrators' funding of the Receiver and Manager's operations will only continue while it requires management support from Aero Inventory Cda.

36. The Joint Administrators have prepared this report to assist the Court in its deliberations and in doing so understand the role of an officer of the Court and their obligation to act impartially and objectively.

All of which is respectively submitted this 27th of November, 2009



Mr. Richard Heis of KPMG LLP
A Joint Administrator
(acting as agent for Aero Inventory plc (in administration)
and Aero Inventory (UK) Limited (in administration) without
personal liability)

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36,
AS AMENDED**

Court File No: 09-CL-8456-00CL

**AND IN THE MATTER OF JAMES ROBERT TUCKER, RICHARD HEIS AND ALLAN WATSON
GRAHAM OF KPMG LLP, AS JOINT ADMINISTRATORS (Applicants)**

**AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED and AERO INVENTORY PLC
(Respondents)**

**APPLICATION UNDER SECTIONS 46 AND FOLLOWING OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**REPORT OF THE JOINT ADMINISTRATORS OF
AERO INVENTORY (UK) LIMITED
(IN ADMINISTRATION) AND
AERO INVENTORY PLC
(IN ADMINISTRATION)**

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Solicitors for the Applicants

Tab 3

**AERO INVENTORY PLC AND
AERO INVENTORY (UK) LIMITED**

**PRE-FILING REPORT OF THE PROPOSED INFORMATION OFFICER
November 10, 2009**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF JAMES ROBERT TUCKER, RICHARD HEIS AND
ALLAN WATSON GRAHAM OF KPMG LLP, AS JOINT ADMINISTRATORS**

Applicants

**AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED
And AERO INVENTORY PLC**

Respondents

**APPLICATION UNDER SECTIONS 46 AND FOLLOWING OF THE
*COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36 AS
AMENDED***

**PRE-FILING REPORT OF KPMG Inc.,
in its capacity as proposed Information Officer of the Foreign Debtors**

November 10, 2009

INTRODUCTION

1. At the time of writing this report, it is contemplated that on Wednesday November 11, 2009, the Applicants will be appointed by orders (the "UK Orders") of the High Court of Justice (Chancery Division, Companies Court) of England and Wales (the "English Court") as administrators (the "Administrators") over Aero Inventory UK) Limited ("Aero Inventory UK") and Aero Inventory plc ("Aero plc", and collectively with Aero Inventory UK, the "Foreign Debtors").
2. KPMG Inc. ("KPMG" or the "Proposed Information Officer") understands that the Administrators in their capacity as foreign representatives, intend to bring an application before this Honorable Court seeking certain relief under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c-36 as amended (the

“CCAA”), including recognizing the proceedings contemplated by the UK Orders as foreign main proceedings as defined in the CCAA, recognizing and enforcing the UK Orders in Canada, recognizing the Administrators as “foreign representative” as defined in Section 45 of the CCAA (the “Foreign Representative”), granting a stay of proceeding in respect of the Foreign Debtors, and appointing KPMG as Information Officer. The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the “Recognition Proceedings”.

3. This is the pre-filing report of the Proposed Information Officer in the Recognition Proceedings. The purpose of this report is to provide this Honourable Court with information on the following:
 - The corporate structure of the Foreign Debtors
 - An overview of the Foreign Debtors business activities in Canada
 - An overview of Aero Inventory UK’s Canadian subsidiary Aero Inventory (Canada) Inc. (“Aero Inventory Cda”)
 - The proposed role of the Information Officer
 - KPMG’s qualifications to act as the Information Officer (if appointed)

SCOPE

4. In preparing this report, KPMG has relied solely on information supplied by the Foreign Representative and its counsel in the United Kingdom, and by Aero Inventory Cda, primarily in the form of discussions with management supplemented with certain unaudited financial information. KPMG has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and accordingly expresses no opinion or other form of assurance on the information contained in this report.
5. Unless otherwise stated all monetary amounts contained in this report are expressed in Canadian dollars

CORPORATE STRUCTURE OF THE FOREIGN DEBTORS

6. Aero plc is an AIM-listed company which is registered in England and Wales. It is the parent company of Aero Inventory UK.
7. Aero Inventory UK is a company registered in England and Wales. Aero Inventory UK is the parent company of a number of companies around the world (collectively referred to as the “Aero Group”), including Aero Inventory Cda.
8. The registered office of the Foreign Debtors is 30 Lancaster Road, New Barnet, Hertfordshire, United Kingdom.

9. While we understand from corporate searches conducted in the Province of Quebec that Aero Inventory UK has listed an address in Canada as 394 Isabey, Bureau 250, Saint-Laurent, Quebec, we understand that this property is in fact leased by Aero Inventory Cda.
10. We also understand from our discussions that the Foreign Debtors have no physical presence in Canada as they have no employees in this jurisdiction, we are not aware of the existence of any bank account of the Foreign Debtors in Canada, and all their assets are physically located at third parties' places of business.
11. Aero Inventory Cda is a New Brunswick incorporated company whose registered head office is at 394 Isabey, Bureau 250, Saint-Laurent, Quebec.

OVERVIEW OF THE FOREIGN DEBTORS' BUSINESS ACTIVITIES IN CANADA

12. Aero Inventory UK is the main operating company of the Aero Group, its principal activity being the provision of a comprehensive procurement and inventory management service to companies in the aerospace industry. Specifically, Aero Inventory UK sources, distributes and sells consumable and expendable parts (e.g., bearings, fasteners and gaskets) required in the maintenance of aircraft, its customers being airlines and aerospace maintenance and repair companies around the world.
13. Aero Inventory UK has two Canadian-based customers; Aveos Fleet Performance Inc. ("Aveos") and Air Canada, with Aveos representing the bulk of Aero Inventory UK's sales prior to the Aveos Side Letter discussed further below. Aero Inventory UK has conducted business in Canada since 2007.
14. Aero Inventory UK owns all the inventory of the Aero Group located in Canada along with the receivables associated with Aveos and Air Canada contracts. (i.e., Aero Inventory Cda has no customers and owns no inventory. It acts as a management company, with its employees handling the day to day interface with Aero Inventory UK's Canadian-based customers.)
15. Aero Inventory UK has no employees physically located in Canada. It relies on employees of Aero Inventory Cda to handle the day-to-day interface with Aveos and Air Canada, and to procure on its behalf, some parts (i.e., Aero Inventory UK's parts procurement is split amongst three offices namely, Montréal, Los Angeles and the UK). Aero Inventory UK employees physically located in the UK maintain the inventory records associated with the Canadian-based customers and issue the invoices to them. Customer remittances are made directly to Aero Inventory UK.
16. All of the inventory owned by the Aero Inventory UK in Canada is located at various warehouses across Canada operated by and under the control of Aveos;

these warehouses are located in Montréal, Toronto, Winnipeg and Vancouver. This inventory is not physically segregated from inventory owned by Aveos (i.e., while there should not be individual parts bins holding both Aero Inventory UK and Aveos/Air Canada owned parts, the bins holding Aero Inventory UK parts are not physically separate from those bins holding Aveos/Air Canada owned parts) and it is not within Aero Inventory UK's physical control. Further, inventory bound for Air Canada is not segregated from inventory bound for Aveos.

17. The original Aveos contract (the "Original Aveos Contract") was signed in November 2007 (it was originally in the name of ACTS Technical Support & Services Inc., which was subsequently renamed Aveos), and contemplated Aero Inventory UK being the sole supplier, for a 10 year term, of consumable aircraft parts required by Aveos for its operations in Canada and, through its subsidiary Aeroman, EL Salvador. The contract is governed by the provincial law of Quebec and the federal law of Canada. A side letter to the Original Aveos Contract was entered into effective October 5, 2009 (the "Aveos Side Letter"), the substantive effect being a very substantial reduction in the number of parts (the "Discontinued Part") that Aero Inventory UK will continue to provide to Aveos (which parts Aveos will start to procure themselves) and a commitment from Aveos to purchase from Aero Inventory UK any Discontinued Parts held as at October 5, 2009 to the extent they are where they are needed for use at the time they are needed. Aveos also agreed, in the Aveos Side Letter, to forbear from exercising its existing rights to terminate the Aveos Original Agreement until November 1, 2009.
18. We understand that the agreement between Aero Inventory UK and Air Canada was signed on December 10, 2008. We were only provided with a copy of this agreement on the date hereof and as such have not had the opportunity to consider its terms. However, we understand that as at September 30, 2009, Air Canada owed Aero Inventory UK approximately \$9.6 million for parts provided, the invoices for which having being issued on or about November 2, 2009 for the period from May 2009 to end of September 2009.
19. The inventory owned by Aero Inventory UK and held at Aveos' sites across Canada totaled approximately \$130 million as at November 2, 2009 per Aveos' accounting system.

SECURED CREDITORS OF THE FOREIGN DEBTORS

20. Searches of personal property security registries in the various Canadian jurisdictions where the Foreign Debtors have assets, copies of the searches being attached as **Appendix "A"** to this report, show that only two secured creditors have made registrations. Lloyds TSB commercial Finance Limited ("Lloyds TSB"), either in its own name or as security trustee, has made registrations in respect of general security interests in assets of Aero Inventory UK. Air Canada has made registrations in respect of security interests in inventory, accounts, and

other assets of Aero Inventory UK.

BUSINESS OVERVIEW OF AERO INVENTORY CDA

21. Aero Inventory Cda's sole activity is the provision of management services to Aero Inventory UK. As such, Aero Inventory Cda's sole source of revenue is from Aero Inventory UK. There is no written agreement evidencing the type of management services provided by Aero Inventory Cda.
22. The only assets of Aero Inventory Cda as at November 3, 2009 are a receivables owing by Aero Inventory UK along with certain fixed assets. Aero Inventory Cda does not have its own banking facility; instead it relies on Aero Inventory UK for any funding needs it may have.
23. We understand that, as at the date of this report, the Applicant does not intend to initiate any court proceedings with respect to the Aero Inventory Cda. The Applicant intends to determine in the very short term, what services they require from Aero Inventory Cda going forward, and based on that, determining a course of action.

ROLE OF AN INFORMATION OFFICER

24. The proposed role of the Information Officer is as follows:
 - to provide such assistance to the Foreign Representative, in the performance of its duties, as they may request and the Information Officer agrees to do,
 - to respond to the information requests from the Foreign Debtors' stakeholders, and
 - to deliver a report to this Honourable Court at least once every three months outlining the status of these proceedings and the UK proceedings.
25. A domestic Information Officer would provide utility to the Canadian stakeholders of the Foreign Debtors as it can likely respond to those stakeholders' information needs in a more timely fashion than the Applicant can.
26. A priority charge over the Foreign Debtors' assets in favour of the Information Officer has not been included in the Applicant's draft order. It is anticipated that a future motion will be brought to the Court in this regard.

KPMG'S QUALIFICATION TO ACT AS INFORMATION OFFICER

27. KPMG LLP in the United Kingdom was recently retained by Lloyds TSB, in its capacity as Agent for a Lending syndicate that advanced funds to Aero plc, to provide financial advice regarding the Foreign Debtors. KPMG Inc. has provided some assistance to KPMG LLP in fulfilling this mandate. However, KPMG LLP's engagement with Lloyds TSB was terminated prior to the Foreign Debtors'

court application seeking the appointment of the Administrators.

28. Nicholas Brearton, the individual within KPMG Inc. with primary carriage of this matter, is a trustee within the meaning of subsection 2 (1) of the *Bankruptcy and Insolvency Act* (Canada). Neither KPMG Inc. nor any of its affiliates have been at any time in the two preceding years:
- i) the auditor of any of the Foreign Debtors;
 - ii) a director, an officer or an employee of the Foreign Debtors;
 - iii) related to the Foreign Debtors or to any director or officer of the Foreign Debtors; or
 - iv) trustee (or related to any such trustee) under a trust indenture issue by any of the Foreign Debtors or any person related to the Foreign Debtors, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the *Civil Code of Quebec* that is granted by the Foreign Debtors or any person related to the Foreign Debtors.
29. KPMG Inc. has identified the following relationships which certain of its global affiliates has had with the Foreign Debtors in the last three years;
- Between May 2007 and October 2009, KMPG provided indirect tax advisory services to the value of £650,000. The services included advising on processes, procedures and controls in relation to import and export issues including country specific advice in the UK, US, El Salvador, Mexico and Switzerland. Approximately £300,000 of this account remains unpaid or unbilled.
 - In April 2008, KPMG was engaged to provide confirmation, clarification and guidance on the application of generally accepted accounting principals in relation to inventory and business combination accounting. The scope of the engagement was illustrative, with no reference to specific transactions. Any specific transactions was to follow by separate instruction if required. No such further instruction was received. Fees earned in relation to this work were approximately £3,000.
30. KPMG Inc. has consented to act as Information Officer should this Honourable Court grant the applicant's Court application.
31. KPMG Inc. has prepared this report to assist the Court in its deliberations and in doing so understands the role of an officer of the Court and its obligation to act impartially and objectively.

All of which is respectively submitted this 10th of November, 2009

KPMG Inc.

Per; 

Nicholas Brearton
Senior Vice President

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

Court File No: 09-CL-8456-00CL

**AND IN THE MATTER OF JAMES ROBERT TUCKER, RICHARD HEIS AND ALLAN WATSON
GRAHAM OF KPMG LLP, AS JOINT ADMINISTRATORS (Applicants)**

**AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED and AERO INVENTORY PLC
(Respondents)**

**APPLICATION UNDER SECTIONS 46 AND FOLLOWING OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**PRE-FILING REPORT
OF THE PROPOSED
INFORMATION OFFICER**

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Solicitors for the Applicants

Tab 4

Court File No.: 09-CL-8456-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) WEDNESDAY, THE 11th DAY
JUSTICE **NEUBOLD**)
) OF NOVEMBER, 2009

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF JAMES ROBERT TUCKER, RICHARD HEIS AND
ALLAN WATSON GRAHAM OF KPMG LLP, AS JOINT ADMINISTRATORS**

Applicants

**AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED
and AERO INVENTORY PLC**

Respondents

**APPLICATION UNDER SECTION 46 AND FOLLOWING OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**ORDER
(November 11, 2009)**

THIS APPLICATION, made by James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP, in their capacity as the foreign representatives (the "**Foreign Representatives**") for an Order substantially in the form enclosed in the Application Record was heard this day, at Toronto, Ontario;

ON:

- (i) reading the Notice of Application, the witness statement of Collin Lee Trupp, and the Report of KPMG Inc. dated November 10, 2009; and
- (ii) being provided with certified copies of the application to, and orders of, the High Court of Justice (Chancery Division, Companies Court) (the

“**English Court**”) dated November 11, 2009 commencing the administration proceedings in the United Kingdom in respect of each of Aero Inventory (UK) Limited and Aero Inventory plc (the “**Foreign Debtors**”) and authorizing the Foreign Representatives to act in the capacity of foreign representatives;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

RECOGNITION OF THE UNITED KINGDOM PROCEEDING

2. **THIS COURT ORDERS** that the proceedings commenced by the Foreign Debtors in the United Kingdom for protection under the *Insolvency Act* 1986 (the “**Foreign Proceedings**”) be and are hereby recognized as a “foreign main proceeding” for the purposes of section 47 of the *Companies’ Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the “**CCAA**”).

3. **THIS COURT ORDERS** that the Foreign Representatives be and are hereby recognized as “foreign representatives” as defined in section 45 of the CCAA.

4. **THIS COURT ORDERS** that the orders made by the English Court on November 11, 2009 and attached as Schedule “A” hereto are hereby recognized and enforced pursuant to section 49 of the CCAA.

STAY OF PROCEEDINGS

5. **THIS COURT ORDERS** from this date and until such date as this Court may further order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Foreign Debtors, the Foreign Representatives, or affecting the business or the property of the Foreign Debtors (the “**Business**” and the “**Property**”, respectively), except with the written consent of the Foreign Debtors and the Foreign Representatives, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Foreign Debtors or the

Foreign Representatives or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

6. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Foreign Debtors or the Foreign Representatives, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Foreign Debtors and the Foreign Representatives, or leave of this Court, provided that nothing in this Order shall (i) empower the Foreign Debtors to carry on any business which the Foreign Debtors are not lawfully entitled to carry on, (ii) exempt the Foreign Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

7. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Foreign Debtors, except with the written consent of the Foreign Debtors and the Foreign Representatives, or leave of this Court.

8. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Foreign Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Foreign Debtors, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Foreign Debtors or the Foreign Representatives, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Foreign Debtors in accordance with normal payment practices of the Foreign Debtors or such

other practices as may be agreed upon by the supplier or service provider and the Foreign Representatives, or as may be ordered by this Court.

9. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, no creditor of the Foreign Debtors shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Foreign Debtors.

10. **THIS COURT ORDERS** that the determination and enforcement of any Person's rights of set-off from and after the effective time of this Order shall be stayed pending further order of this Court and any new purchases of goods from the Foreign Debtors under existing supply contracts or otherwise from and after the effective time of this Order shall be paid by the customers on terms acceptable to the Foreign Representatives without counterclaim or deduction.

NO INTERFERENCE WITH RIGHTS

11. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Foreign Debtors, except with the written consent of the Foreign Representatives and the Foreign Debtors, or leave of this Court.

INFORMATION OFFICER

12. **THIS COURT ORDERS** that:

- (a) KPMG Inc. be and is hereby appointed as information officer (in such capacity, the "**Information Officer**");
- (b) The Information Officer be and is hereby authorized and empowered, but not obligated, to provide such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may require;
- (c) The Information Officer be and is hereby authorized and empowered to respond to reasonable requests for information from stakeholders;

- (d) The Information Officer shall deliver to the Court a report at least once every three (3) months outlining the status of these proceedings, the Foreign Proceedings and such other information as the Information Officer believes to be material; and
- (e) The Foreign Representatives and the Information Officer shall incur no liability or obligation as a result of the appointment of the Information Officer or the fulfillment of the duties of the Information Officer in carrying out the provisions of this Order and no action or other proceedings shall be commenced against the Foreign Representatives or the Information Officer for the fulfillment of the duties of the Information Officer, except with prior leave of this Court obtained on not less than seven (7) days notice to the Information Officer and the Foreign Representatives.

AID AND ASSISTANCE OF OTHER COURTS

13. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province or territory of Canada or any court or any judicial, regulatory or administrative body of the United Kingdom and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this order.

GENERAL PROVISIONS

14. **THIS COURT ORDERS** that the Information Officer or the Foreign Representatives may apply to this Court for advice and direction in connection with the discharge or variation of their powers and duties under this order;

15. **THIS COURT ORDERS** that nothing in this Order shall prevent the Foreign Representatives or the Information Officer from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Foreign Debtors, the Business or the Property.

16. **THIS COURT ORDERS** that each of the Foreign Representatives, the Foreign Debtors and the Information Officer be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

17. **THIS COURT ORDERS** that the Foreign Representatives shall publish a notice as required by subsection 53(b) of the CCAA in the Globe and Mail (national edition) and La Presse for one (1) day in two (2) consecutive weeks without delay following the issuance of this Order.

18. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order, any interested person may apply to this Court to vary or rescind this Order or seek other relief upon four (4) days notice to the Foreign Representatives, and their counsel, and to the Foreign Debtors, and their counsel, and to any other party likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

19. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:00 p.m. Greenwich Mean Time on the date of this Order.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.
LE / DANS LE REGISTRE NO..

NOV 12 2009

PER / PAR: JV

SCHEDULE "A"

See Attached

IN THE HIGH COURT OF JUSTICE

No 20292 of 2009

CHANCERY DIVISION

COMPANIES COURT

CERTIFIED TO BE A TRUE AND COMPLETE COPY OF THE ORIGINAL

CMS Cameron McKenna LLP

DATE *11/11/09*

CMS Cameron McKenna LLP
Mitre House, 160 Aldersgate Street
London EC1A 4DD

Mrs Justice Proudman
Wednesday 11 November 2009



IN THE MATTER OF AERO INVENTORY (UK) LIMITED

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

ADMINISTRATION ORDER

UPON THE APPLICATION OF the directors of **AERO INVENTORY (UK) LIMITED** ("the Company") presented to the Court on Wednesday 11 November 2009

AND UPON hearing Counsel for the Company

AND UPON reading the evidence

AND UPON the High Court of Justice (Chancery Division, Companies Court) of England and Wales by Mrs Justice Proudman hereby making a decision and giving judgment to open insolvency proceedings in England and Wales by way of administration under the Insolvency Act 1986, Schedule B1, in respect of the Company to take effect from *12 noon* on Wednesday 11 November 2009, which proceedings shall be foreign main proceedings, and the reasons for the decision are:- (a) the Company is or is likely to become unable to pay its debts, and (b) the administration order is reasonably likely to achieve the purpose of the administration, and (c) the centre of main interests of the Company is situated in the jurisdiction of this Court and this Court has jurisdiction under EC Regulation on Insolvency Proceedings 2000, Article 3 (1) to open insolvency proceedings, and (d) Lloyds TSB Commercial Finance Ltd as holder of qualifying floating charges in respect of the



Company would be entitled to appoint an administrator or seek a court order to appoint an administrator

AND UPON the Company by its Counsel undertaking to file with court within evidence exhibiting the email from Jim Tucker dated 11 November 2009 and exhibiting correspondence from the Company solicitors to Wragge PGO dated 9 November, 10 November 2009 and email dated (10.56am) and 10 NOV 09 (16.39 and 21.14).



1. It is ordered that during the period for which this Order is in force the affairs, business and property of the Company be managed by the Joint Administrators.

2. It is ordered that James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP be appointed Joint Administrators of the Company.

3. It is ordered that:

- a. Service of the Administration Application upon the Joint Administrators be dispensed with (rule 2.6 (3)(d) Insolvency Rules 1986).
- b. Service of the Administration Application upon Lloyds TSB Commercial Finance Ltd be dispensed with (Schedule B1, paragraph 12 (2)(c) Insolvency Act 1986).
- c. Time for service of the Administration Application upon Premium Aircraft UK Limited ("the Winding Up Petitioner") (who presented the Winding Up Petition against the Company on 30 October 2009 ("the Winding Up Petition")) be abridged so that the application can be heard forthwith by the Court (rule 2.6 (3)(b) and 2.8 (1) and 7.51 of the Insolvency Rules 1986 and CPR 3.1 (2)(a).
- d. The Winding Up Petition presented against the Company on 30 October 2009 is dismissed (Insolvency Act 1986, Schedule B1, paragraph 40 (1)).
- e. The costs of the Winding Up Petitioner of and incidental to the Winding Up Petition shall be payable as an expense of the Administration (to be assessed on a standard basis if not agreed).

4. And the Court being satisfied on the evidence before it that the EC Regulation on Insolvency Proceedings 2000 does apply and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation

(and are accordingly foreign main proceedings for the purposes of any applicable UNICTRAL Model Law).

- 5. **And upon the Court determining that it is expedient to set out the purpose, powers and effect of the Administration Order the Court declares that the Joint Administrators appointed by this Order shall conduct the Administration for the purpose, with the powers and with the effect set out in the Schedule to this Order.**
- 6. **And it is ordered that any function of the Administrators and/or any act required or authorised under any enactment to be done by the Administrators may be exercised and/or done by any or all of the Administrators (Schedule B1, paragraph 100 (2)(b)).**
- 7. **It is ordered that the costs of the said application (including the costs of the Form 2.2B (rule 2.3 (5)) are payable as an expense of the administration.**
- 8. **It is ordered that this appointment shall take effect from ... 12.00pm ... and ~~pm~~ (time) on Wednesday 11 November 2009.**
- 9. **It is ordered that Schedule B1, paragraph 46 (3)(b) shall not apply.**



Schedule to the Order

1. The objectives of the administrator are those set out in paragraphs 3 and 4 of Schedule B1 to the Insolvency Act 1986 ("Schedule B1").
2. Without prejudice to the provisions at Schedule B1 and by way of summary the objectives of the administrator are:-
 - a. Under paragraph 3 (1) of Schedule B1 the administrator must perform his functions with the objective of:-
 - i. Rescuing the Company as a going concern and only if it is not reasonably practical to achieve that objective or if the pursuit of objective 3 (1)(b) would achieve a better result for the Company's creditors as a whole, then
 - ii. Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration) or, if that objective is not reasonably practical and it does not unnecessarily harm the interests of the creditors of the Company as a whole, then
 - iii. Realising property of the Company in order to make a distribution to one or more secured or preferential creditors.
 - b. Under paragraphs 49 – 51 of Schedule B1 the administrator must make a statement setting out his proposals for achieving the purpose and must, inter alia, send those proposals to every creditor of the Company of whose details the administrator is aware.
 - c. Under paragraphs 51 and 52 of Schedule B1 unless the administrator is of the view that no monies will be available to distribute to the creditors of the Company or that creditors will be paid in full he must convene and hold within 10 weeks of the making of the administration order a meeting of creditors for the purpose of considering and, if thought fit, approving his

proposals with or without modification or seek the approval of creditors by correspondence.

- d. Under paragraph 67 of Schedule B1 the administrator has a duty to take custody or control of all the property of the Company on being appointed.
 - e. Under paragraph 68 of Schedule B1 the administrator is under a duty to manage the affairs, business and property of the Company in accordance with his proposals as approved by the Company's creditors and subject to any directions that the Court may give him.
 - f. The administrator must obtain approval for payment of his fees and disbursements by the creditors of the Company or by a committee of the creditors' of the Company or by the Court.
3. The powers of the administrator are those set out in Schedule B1 and in Schedule 1 to the Insolvency Act 1986 (a copy of which is annexed to this Order).
4. Without prejudice to those provisions and by way of summary the administrator has the following powers under Schedule B1.
- a. The power to do anything necessary or expedient for the management of the affairs, business and property of the Company and, in particular, without prejudice, to this general power the administrator has the specific powers set out in Schedule 1 to the Insolvency Act 1986 which are summarised in Appendix A to this Schedule.
 - b. No officer of the Company may exercise a management power without consent of the administrator.
 - c. The administrator may remove and appoint directors of the Company.

- d. The administrator may convene and hold meetings of members and creditors of the Company.
 - e. The administrator may apply to the Court for directions in connection with his functions.
 - f. The administrator may pay monies to secured or preferential creditors of the Company and with the consent of the Court may make a distribution to unsecured creditors.
 - g. The administrator may make a payment other than to a secured or preferential creditor without permission of the Court if he considers that making such a payment is likely to assist in the achievement of the purpose of administration as set out in paragraph 3 (1) of Schedule B1 recited above.
 - h. Under paragraph 66 the administrator may make payments to the employees of the Company, such that they receive the same monies as the employees would receive if secondary proceedings were commenced under Article 27 of the EC Regulation on Insolvency Proceedings 2000 provided that the administrator thinks that the making of such payments are likely to assist achievement of the purpose of administration.
 - i. In exercising functions the administrator acts as agent of the Company.
5. The effect of the moratorium on insolvency and other proceedings against the Company as set out in Schedule B1, paragraph 43 of the Insolvency Act 1986 came into effect at the time the appointment of Joint Administrators (which time is set out in the Order) (without prejudice to the interim moratorium, where applicable, set out in Schedule B1, paragraph 44 of the Insolvency Act 1986).
6. Without prejudice to the provisions of Schedule B1 and by way of summary the moratorium has the following effect on insolvency and other proceedings.

- a. No resolution may be passed to wind up the Company.
- b. No order may be made for the winding up of the Company.
- c. No step may be made to enforce any security over the Company's property without consent of the administrator or permission of the English Court.
- d. No step may be taken to repossess any goods in the Company's possession under any hire purchase agreement, except with the consent of the administrator or leave of the English Court.
- e. A landlord may not exercise a right of forfeiture by peaceable re-entry in relation to any premises let to the Company except with consent of the administrator or leave of the English Court.
- f. No legal process (including legal proceedings, execution, distress and diligence) may be instituted or continued against the Company or the property of the Company, except with the consent of the administrator or leave of the English Court.

Appendix A
Insolvency Act 1986
Schedule 1 Powers of Administrator

1. Power to take possession of, collect and get in the property of the Company and, for that purpose to take such proceedings as may seem to him expedient.
2. Power to sell or otherwise dispose of the property of the Company by public auction or private auction or private contract.
3. Power to raise or borrow money and grant security therefor over the property of the Company.
4. Power to appoint a solicitor or accountant or other professionally qualified person to assist him in the performance of his functions.
5. Power to bring or defend any action or other legal proceedings in the name and on behalf of the Company.
6. Power to refer to arbitration any question affecting the Company.
7. Power to effect and maintain insurances in respect of the business and property of the Company.
8. Power to use the Company's seal.
9. Power to do all acts and to execute in the name and on behalf of the Company any deed, receipt or other document.
10. Power to draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Company.

11. Power to appoint any agent to do any business which he is unable to do himself or which can more conveniently be done by an agent and power to employ and dismiss employees.
12. Power to do all such things (including the carrying out of works) as may be necessary for the realisation of the property of the Company.
13. Power to make any payment which is necessary or incidental to the performance of his functions.
14. Power to carry on the business of the Company.
15. Power to establish subsidiaries of the Company.
16. Power to transfer to subsidiaries of the Company the whole or any part of the business and property of the Company.
17. Power to grant or accept a surrender of a lease or tenancy of any of the property of the Company, and to take a lease or tenancy of any property required or convenient for the business of the Company.
18. Power to make any arrangement or compromise on behalf of the Company.
19. Power to call up any uncalled capital of the Company.
20. Power to rank and claim in the bankruptcy, insolvency, sequestration or liquidation of any person indebted to the Company and to receive dividends, and to accede to trust deeds for the creditors of any such person.
21. Power to present or defend a petition for the winding up of the Company.
22. Power to change the situation of the Company's registered office.
23. Power to do all other things incidental to the exercise of the foregoing powers.

No 20292 of 2009

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

**Mrs Justice Proudman
Wednesday 11 November 2009**

**IN THE MATTER OF AERO
INVENTORY (UK) LIMITED**

**AND IN THE MATTER OF THE
INSOLVENCY ACT 1986**

ADMINISTRATION ORDER



Taylor Wessing,
5 New Street Sq,
London, EC4A 3TW.

020 7300 7000
Ref: Patrick Cook / Amy Patterson

IN THE HIGH COURT OF JUSTICE

No 20293 of 2009

CHANCERY DIVISION

COMPANIES COURT

CERTIFIED TO BE A TRUE AND COMPLETE COPY OF THE ORIGINAL
CMS Cameron McKenna
DATE *11/11/09*
CMS Cameron McKenna LLP
Mitre House, 160 Aldersgate Street
London EC1A 4DD



Mrs Justice Proudman
Wednesday 11 November 2009

**IN THE MATTER OF AERO INVENTORY PLC
AND IN THE MATTER OF THE INSOLVENCY ACT 1986**

ADMINISTRATION ORDER

UPON THE APPLICATION OF the directors of **AERO INVENTORY PLC** ("the Company") presented to the Court on Wednesday 11 November 2009

AND UPON hearing Counsel for the Company

AND UPON reading the evidence

AND UPON the High Court of Justice (Chancery Division, Companies Court) of England and Wales by Mrs Justice Proudman hereby making a decision and giving judgment to open insolvency proceedings in England and Wales by way of administration under the Insolvency Act 1986, Schedule B1, in respect of the Company to take effect from *12.00pm* on Wednesday 11 November 2009, which proceedings shall be foreign main proceedings, and the reasons for the decision are:- (a) the Company is or is likely to become unable to pay its debts, and (b) the administration order is reasonably likely to achieve the purpose of the administration, and (c) the centre of main interests of the Company is situated in the jurisdiction of this Court and this Court has jurisdiction under EC Regulation on Insolvency Proceedings 2000, Article 3 (1) to open insolvency proceedings, and (d) Lloyds TSB Commercial Finance Ltd as holder of qualifying floating charges in respect of the



Company would be entitled to appoint an administrator or seek a court order to appoint an administrator



AND UPON the company by its consent undertaking to file with the court witness evidence exhibiting the email from Jim Tucker dated 11 November 2009.

1. **It is ordered** that during the period for which this Order is in force the affairs, business and property of the Company be managed by the Joint Administrators.

2. **It is ordered** that James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP be appointed Joint Administrators of the Company.

3. **It is ordered that:**
 - a. Service of the Administration Application upon the Joint Administrators be dispensed with (rule 2.6 (3)(d) Insolvency Rules 1986).
 - b. Service of the Administration Application upon Lloyds TSB Commercial Finance Ltd be dispensed with (Schedule B1, paragraph 12 (2)(c) Insolvency Act 1986).

4. **And the Court being satisfied** on the evidence before it that the EC Regulation on Insolvency Proceedings 2000 does apply and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation (and are accordingly foreign main proceedings for the purposes of any applicable UNICTRAL Model Law).

5. **And upon the Court determining** that it is expedient to set out the purpose, powers and effect of the Administration Order the Court declares that the Joint Administrators appointed by this Order shall conduct the Administration for the purpose, with the powers and with the effect set out in the Schedule to this Order.

6. **And it is ordered** that any function of the Administrators and/or any act required or authorised under any enactment to be done by the Administrators

may be exercised and/or done by any or all of the Administrators (Schedule B1, paragraph 100 (2)(b)).

- 7. **It is ordered** that the costs of the said application (including the costs of the Form 2.2B (rule 2.3 (5)) are payable as an expense of the administration.



It is ordered that this appointment shall take effect from / 2 NOV 2009
~~at~~ on Wednesday 11 November 2009.

- 9. **It is ordered** that Schedule B1, paragraph 46 (3)(b) shall not apply.

Schedule to the Order

1. The objectives of the administrator are those set out in paragraphs 3 and 4 of Schedule B1 to the Insolvency Act 1986 ("Schedule B1").
2. Without prejudice to the provisions at Schedule B1 and by way of summary the objectives of the administrator are:-
 - a. Under paragraph 3 (1) of Schedule B1 the administrator must perform his functions with the objective of:-
 - i. Rescuing the Company as a going concern and only if it is not reasonably practical to achieve that objective or if the pursuit of objective 3 (1)(b) would achieve a better result for the Company's creditors as a whole, then
 - ii. Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration) or, if that objective is not reasonably practical and it does not unnecessarily harm the interests of the creditors of the Company as a whole, then
 - iii. Realising property of the Company in order to make a distribution to one or more secured or preferential creditors.
 - b. Under paragraphs 49 – 51 of Schedule B1 the administrator must make a statement setting out his proposals for achieving the purpose and must, inter alia, send those proposals to every creditor of the Company of whose details the administrator is aware.
 - c. Under paragraphs 51 and 52 of Schedule B1 unless the administrator is of the view that no monies will be available to distribute to the creditors of the Company or that creditors will be paid in full he must convene and hold within 10 weeks of the making of the administration order a meeting of creditors for the purpose of considering and, if thought fit, approving his

proposals with or without modification or seek the approval of creditors by correspondence.

- d. Under paragraph 67 of Schedule B1 the administrator has a duty to take custody or control of all the property of the Company on being appointed.
 - e. Under paragraph 68 of Schedule B1 the administrator is under a duty to manage the affairs, business and property of the Company in accordance with his proposals as approved by the Company's creditors and subject to any directions that the Court may give him.
 - f. The administrator must obtain approval for payment of his fees and disbursements by the creditors of the Company or by a committee of the creditors' of the Company or by the Court.
3. The powers of the administrator are those set out in Schedule B1 and in Schedule 1 to the Insolvency Act 1986 (a copy of which is annexed to this Order).
 4. Without prejudice to those provisions and by way of summary the administrator has the following powers under Schedule B1.
 - a. The power to do anything necessary or expedient for the management of the affairs, business and property of the Company and, in particular, without prejudice, to this general power the administrator has the specific powers set out in Schedule 1 to the Insolvency Act 1986 which are summarised in Appendix A to this Schedule.
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No 20293 of 2009

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

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**Mrs Justice Proudman
Wednesday 11 November 2009**

**IN THE MATTER OF AERO
INVENTORY PLC**

**AND IN THE MATTER OF THE
INSOLVENCY ACT 1986**

ADMINISTRATION ORDER



Taylor Wessing,
5 New Street Sq,
London EC4A 3TW.

Tel: 020 7300 7000.
Ref: Patrick Cook / Amy Patterson.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF JAMES ROBERT TUCKER, RICHARD HEIS AND ALLAN WATSON GRAHAM OF KPMG LLP, AS JOINT ADMINISTRATORS

AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED and AERO INVENTORY PLC

Court File No: 09-CL-8456-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**ORDER
(November 11, 2009)**

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