

Appendix N

Appendix [.]

Pricing Methodology to be used as a Proxy for Pricing Specified in the AC LMA ⁽¹⁾

The pricing methodology the Joint Administrators propose to use as a proxy for that outlined in the AC LMA ⁽¹⁾ is 111.17% of AIP (i.e. Average Inventory Price) as specified in the Algorithm, with AIP being based on the date of consumption.

Month	Billable Amount per Algorithm ⁽²⁾ (in \$CDN)	Exchange Rate ⁽³⁾ 1 CDN = X \$US	Billable Amount per Algorithm (Converted to \$US)	Invoice Amounts Issued under AC LMA ⁽¹⁾⁽²⁾ (in \$US)	AC LMA Invoice Amount as a Proportion of Billable Amount per Algorithm (in \$US)
May, 2009	\$3,709,810	0.86958034	\$3,225,977.84	\$3,527,430	1.093445204
June, 2009	\$4,008,747	0.88720768	\$3,556,591.13	\$3,847,461	1.081783332
July, 2009	\$3,408,483	0.89149674	\$3,038,651.48	\$3,509,960	1.155104499
August, 2009	\$3,702,241	0.91836719	\$3,399,998.15	\$3,779,411	1.111592075
September, 2009	\$3,485,023	0.92435273	\$3,221,390.52	\$3,615,741	1.122416228
Total	\$18,314,304		\$16,442,609.13	\$18,280,003	1.111745883

Notes:

⁽¹⁾ Agreement for the Supply and Management of Consumable and Expendable spares between Air Canada and Aero dated December 10, 2008

⁽²⁾ Based on gross consumption (i.e. returns by Air Canada are not considered)

⁽³⁾ Bank of Canada average monthly rate

Appendix O



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Air Canada
YUL 1435
P.O. Box 9000, Station Airport
Dorval QC H4Y 1C2

Attention: Mr. Gilles Neron
Director Strategy & Commercial

April 4, 2012

Dear Mr.Neron :

Re: Aero Inventory (UK) Limited - in administration ("Aero UK")

We are writing on behalf of the Administrators of Aero UK.

In regards to the Category 3 parts owned by Aero UK and located in Canada (the "Aero Parts"), please find enclosed data files summarizing Air Canada's consumption (i.e. ACID #, quantity and AIP) of Aero Parts during the period from November 11, 2009 to February 29, 2012 inclusive, which totals US \$6,316,273 before tax based on AIP (a written summary by month, is enclosed for your convenience). The data files have been compiled using the Virtual Inventory Management System. We would request that you review the files and advise if you disagree with the files as they relate to ACID # and quantity.

We re-iterate our request, as outlined in our letter to you dated March 1, 2012, for a meeting to discuss pricing of the consumed Aero Parts. In terms of the data files, Aero UK and Aero Inventory (Canada) Inc. personnel are at your disposal to answer any questions you may have regarding them.

Yours very truly,

KPMG Inc.
Information Officer of Aero Inventory (UK) Limited

Per: Nicholas Brearton
President

cc: Subajini Vipulananthasamy – Manager of Contract Administration
Jim Tucker – Joint Administrator of Aero Inventory (UK) Limited
Francois Gagnon – Aero Inventory (Canada) Inc.
Bruce MacCoubrey – Aero Inventory (UK) Limited
David Pike – Director, KPMG LLP (UK)

Appendix P

APPENDIX P**TERMS OF SALE**

With respect to any Aero Part consumed by Air Canada on or after November 11, 2009 (a "Purchased Part"), Aero sold, and is selling, the Aero Part on an "as is, where is" basis as it shall exist, or shall have existed, at the time that ownership of such Aero Part is, or was, transferred to Air Canada. Air Canada acknowledges that it has inspected each Purchased Part and has relied, and is relying, entirely upon its own investigations and inspections of each Purchased Part in proceeding with the purchase and consumption of such Purchased Part and has satisfied itself with regard to the condition, title and ownership of the Purchased Part. There are no representations, warranties, terms, conditions, understandings or collateral agreements, express or implied, statutory or otherwise, with respect to any Purchased Part between Air Canada and Aero or the Joint Administrators, other than the March 9 Agreement between Aero and Air Canada. All written and oral information (including analyses, financial information and projections, compilations and studies) obtained by Air Canada from the Foreign Debtors, their affiliates, the Joint Administrators, the Trustee, the Foreign Representatives, the Information Officer or the Receiver of Aero Canada or any of their directors, officers, employees, partners, professional consultants or advisors with respect to any Purchased Part has been obtained for the convenience of Air Canada only and is not warranted to be accurate or complete. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Civil Code of Québec*, the *Sale of Goods Act* (Ontario) or the *1980 United Nations Convention on Contracts for the International Sale of Goods* or similar legislation do not apply hereto and have been expressly disclaimed and waived by Air Canada.

All capitalized terms not otherwise defined in the foregoing shall have the meaning ascribed to them in the body of the Third Report of KPMG Inc., in its capacity as Information Officer of Aero Inventory (UK) Limited (in administration) and Aero Inventory PLC (in administration), dated April 24, 2012.

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Appendix Q



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Attention: Ms. Subajini Vipulananthasamy
Manager of Contract Administration

April 10, 2012

Dear Ms. Vipulananthasamy:

Re: Aero Inventory (UK) Limited - in administration ("Aero UK")

We write on behalf of the Joint Administrators of Aero UK (the "Joint Administrators").

Further to our discussion last Wednesday afternoon, please find enclosed a summary output from VIMs showing consumption by Air Canada of Aero UK owned parts for the month of March 2012 and for the period April 1, 2012 to April 4, 2012 (the "April Period"). This summary indicates that Aero UK owned parts valued at approximately \$133,411 were consumed by Air Canada in March 2012 and approximately \$33,169 for the April Period (summary excel file attached).

This is inconsistent with my discussion with Gilles Neron on Friday March 30, 2012, wherein he stated that Air Canada had ceased consumption of Aero-owned parts some time ago.

We request that you confirm that your records of consumption agree to the excel file enclosed. We would also reiterate our previous request that Air Canada confirm that it will cease consumption of Aero UK owned parts effective immediately.

Yours Truly,

KPMG Inc.
Information Officer of Aero Inventory (UK) Limited

Per: Nicholas Brearton
 President

cc: Gilles Neron – Air Canada
 Bruce MacCoubrey – Aero Inventory (UK) Limited
 David Pike – KPMG LLP (UK)



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**Attention: Ms. Subajini Vipulananthasamy
Manager, Contract Administration**

April 26, 2012

Dear Ms. Vipulananthasamy;

Re; Aero Inventory (UK) Limited - in administration ("Aero UK")

We are writing on behalf of the Joint Administrators of Aero UK (the "Joint Administrators").

Please find enclosed a summary output from VIMs showing consumption by Air Canada of Aero UK owned parts for the period from April 5, 2012 to April 15, 2012 (the "Consumption Period"). This summary indicates that Aero UK owned parts valued at approximately \$19,823.16; based on dynamic AIP, were consumed by Air Canada in the Consumption Period (please see Appendix A attached).

We request that you confirm that your records of consumption agree to the file enclosed (we have also enclosed details for the period March 1, 2012 to April 4, 2012, as this information was not included in our letter dated April 10, 2012).

We would also reiterate our previous request that Air Canada confirm that it will cease consumption of Aero UK owned parts effective immediately.

Yours truly,

KPMG Inc. in its capacity as

Information Officer of Aero Inventory (UK) Limited.

Per: Nicholas Brearton

cc: Gilles Neron – Air Canada
Bruce MacCoubrey – Aero Inventory (UK) Limited
David Pike – KPMG LLP (UK)