

Appendix S



KPMG Inc.
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Toronto ON M5H 2S5
Canada

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Internet www.kpmg.ca

302
Aero
T 4A

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

April 9, 2010

Attention: Ms Diane Mazuroski
Senior Director – Supply Chain & Vendor Management

Dear Ms. Mazuroski:

We acknowledge receipt of your email dated March 12, 2010 regarding the removal of Aero Inventory (UK) Limited (“Aero UK”) owned inventory located at Air Canada line station locations, a copy being enclosed for your convenience.

We have been in discussions, on behalf of the Joint Administrators of Aero UK (the “UK Administrators”) with Aveos Fleet Performance Inc (“Aveos”) since receiving, on March 5, 2010, their proposal regarding the costs to remove Aero UK owned inventory located at Aveos and/or Air Canada facilities in Canada (the “Aveos Removal Proposal”). We understand from Aveos that prior to providing the Aveos Removal Proposal to the UK Administrators, they had in place arrangements with Air Canada covering the removal of Aero UK owned inventory at Air Canada locations. As a result, the UK Administrators have been dealing exclusively with Aveos on the costs of removing the Aero UK owned inventory located at both Aveos’ and Air Canada’s facilities. The UK Administrators will be meeting with Aveos in Montreal in the near future to discuss the Aveos Removal Proposal. However, the UK Administrators wish us to advise Air Canada that they are not optimistic as to the outcome of these discussions and, as a result, may be pursuing legal avenues to recover the Aero UK owned inventory in Canada.

As Air Canada is well aware, the lack of certification documentation for a specialize part renders such part worthless. The UK Administrators wish us to advise Air Canada that they do not accept Air Canada’s position that it has no obligation as it relates to providing certification documentation associated with Aero UK owned inventory at Air Canada locations. Specifically, the UK Administrators believe that Air Canada is required by law to return to Aero UK the certification documents in its possession that are the property of Aero UK. In addition the UK Administrators are of the belief that much of the Aero UK owned inventory located at Aveos and/or Air Canada facilities in Canada involves inventory purchased from Air Canada which Air Canada represented at the time of sale that they were in possession of certification documents for.



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Air Canada
April 9, 2010

Finally, this will confirm Air Canada's previous representation to the UK Administrators, that effective November 11, 2009 Air Canada ceased drawing upon any Aero UK owned inventory.

Should you have any questions or require additional information regarding the contents of this letter, please do not hesitate to contact the undersigned.

Yours truly,

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

Per: Nicholas Brearton
Senior Vice President

cc: Mr. Jim Tucker
Mr. Collin Trupp
Mr. Kevin Morley

Appendix T



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 Bay Adelaide Centre
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 Canada

Telephone: (416) 777 8500
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Air Canada
 Yul 1435
 P.O. Box 9000, Station Airport
 Dorval QC H4Y 1C2

Attention: Ms. Diane Mazuroski
Senior Director – Supply Chain & Vendor Management

July 9, 2010

Dear Ms Mazuroski;

We are writing at the request of the Joint Administrators of Aero Inventory (UK) Limited (the "UK Administrators"), to advise you that a computer file of the parts owned by Aero Inventory (UK) Limited ("Aero UK") and located at Aveos Fleet Performance Inc ("Aveos") and Air Canada facilities as at January 31, 2010 (the "Aero UK Parts") is being forwarded to you today under separate cover by Mr. J.F. Desrochers of Aero Inventory (Canada) Limited ("Aero Canada"). The file provides ACID number, and quantity owned by location. Aero Canada and Aero UK personnel are available to answer any questions Air Canada may have regarding the Aero UK Parts and the process used to assemble the computer file. It is the UK Administrators' intention to request that the trustee in bankruptcy of Aero UK (the "Trustee") prepare and submit a report to Court and immediately thereafter to bring a Court application confirming Aero UK's ownership of the Aero UK Parts, free and clear of any other party's interests. If Air Canada disputes and/or requires clarification of any matters represented by the file, it should forthwith and by no later than July 20, 2010, raise such issues with the UK Administrators and the Trustee.

In assembling the above referenced file of Aero UK Parts, Aero Canada personnel noted that there is certain inventory that was purported to be swapped by Aero UK with Air Canada at the end of October, 2009, but which the UK Administrators do not believe Aero UK had in existence. In assembling the file, the UK Administrators have transferred the parts from Air Canada to Aero UK but there is a shortfall of approximately \$131,000, valued at contract price, of parts transferred back to Air Canada .

Finally, the UK Administrators have discovered, as a result of assembling the list of Aero UK Parts, that Air Canada has been consuming Aero UK owned parts since November 11, 2009 notwithstanding Air Canada's previous commitment that it would not do so. The UK Administrators requires that Air Canada cease consuming any Aero UK owned inventory effective immediately and that Air Canada confirm back to it forthwith that it will abide by this requirement. In the absence of such confirmation, it is the UK Administrators' intention to bring a Court application to bar Air Canada from consuming Aero UK owned inventory. The UK Administrators will be issuing invoices to Air Canada for the consumed parts under separate cover. As noted under such separate cover, the file is prepared and submitted "without prejudice" to any and all proceedings in regard to the Consumable and Expendable Spare Parts Purchase and Sale Agreement dated October 23, 2009, including to assert that no sales pursuant thereto were valid.

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Air Canada
July 9, 2010

Should you have any questions, please do not hesitate to contact me.

Yours very truly,

**KPMG Inc. in its capacity as
Information Officer of Aero Inventory (UK) Limited.**

A handwritten signature in black ink, appearing to read 'N. Brearton'.

Per: Nicholas Brearton
President

- cc: Mr. J. Tucker – Joint Administrator of Aero Inventory (UK) Limited
- Mr. C. Trupp – Aero Inventory (UK) Limited
- Mr. J.F. Desroches – Aero Inventory (Canada) Limited
- Mr. J. Peters – Aero Inventory (Canada) Limited
- Mr. K. Morley – Ogilvy Renault LLP
- Mr. A. Butterfield – Air Canada
- Mr. J. Salmas – Hcenan Blaikie LLP

Appendix U

Direct Dial: (416) 216-4853
 Direct Fax: (416) 216-3930
 vgauthicr@ogilvyrenault.com

SENT BY E-MAIL

Toronto, July 26, 2010

Sean F. Dunphy
 Stikeman Elliott LLP
 5300 Commerce Court West
 199 Bay Street
 Toronto, Ontario
 M5L 1B9

Dear Sean:

**RE: Aero Inventory (UK) Limited (in administration), Aero Inventory PLC
 (in administration) and Air Canada
 Court File Number 09-CL-8456-00CL**

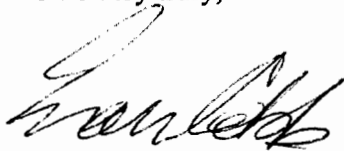
As we discussed in Court last week, Air Canada received the attached letter from KPMG. KPMG had requested Air Canada's response to the issues raised therein by July 20. You told us in Court that your client had almost completed its review of the information attached to the KPMG letter.

Would you please confirm that we will have your client's substantive answer on the inventory list by 5:00 p.m. on Friday July 30? To the extent that your client's list does not accord with the list prepared by Aero Inventory (Canada) Inc., we ask that a list of discrepancies be provided and the basis for disagreement. If Air Canada is not in a position to complete its review this week, please let us know when Air Canada will be in a position to respond. We look forward to your client's prompt reply.

Also, you told us in Court last week (and that was consistent with statements previously made by former counsel to Air Canada) that Air Canada is not using Aero's inventory, and that in fact Air Canada was "boxing it up" for pick-up by KPMG. While this information differs from information obtained by KPMG from Aero Inventory (Canada) Inc., KPMG is relying on your statement as well as those made by former counsel to that effect, and to the extent that these

statements prove to be incorrect, we expect that our client will want to seek compensation from your client in accordance with previous orders of the Court.

Yours very truly,



FOR Virginie Gauthier

Encl.

cc: Nick Brearton – KPMG Inc.
Orestes Pasparakis – Ogilvy Renault LLP

Appendix V



Direct Dial: (416) 216-4853
Direct Fax: (416) 216-3930
vgauthier@ogilvyrenault.com

SENT BY E-MAIL

Toronto, August 5, 2010

Alexander D. Rose
Stikeman Elliott LLP
5300 Commerce Court West, 199 Bay Street
Toronto, Ontario M5L 1B9

Dear Alex:

**RE: Aero Inventory (UK) Limited (in administration), Aero Inventory PLC
(in administration) and Air Canada
Court File Number 09-CL-8456-00CL**

Our client seeks that Air Canada either confirms the inventory list that was provided or provides a revised list without any further delay. If that is not possible, we have asked for the reasons why and when a substantial answer can be provided.

Your response that Air Canada will advise "in due course" is not helpful.

KPMG's concern is highlighted by the suggestion that there maybe some usage of Aero-owned inventory by Air Canada without any corresponding payment. We refer you to Air Canada's letter of November 11, 2009 whereby Air Canada confirmed that it would abide by the Court orders in the proceedings, and to the Court's endorsement of December 1, 2009, in which Air Canada confirmed to the Court that it is not continuing to draw on Aero inventory. We need full particulars of inventory usage since November 11, 2009. When can we expect same?

Yours very truly,

Virginie Gauthier

cc: Nick Brearton – KPMG Inc.
Orestes Pasparakis – Ogilvy Renault LLP
Evan Cobb – Ogilvy Renault LLP

Appendix W

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Aero
+41A**Brearton, Nick N**

From: Wilson, Keith (Heenan Blaikie) [kdwilson@Heenan.ca]
Sent: Friday, November 27, 2009 6:28 PM
To: Levy, Serge
Cc: dohn.yu@cms-cmck.com; Burlison, David J; Kellett, John; Brearton, Nick N; Gauthier, Virginie; Pasparakis, Orestes; robert.hickmott@cms-cmck.com; tigran.kurdiyan@cms-cmck.com; rita.lowe@cms-cmck.com; Morley, Kevin J.; neil.james@cms-cmck.com; alan.butterfield@aircanada.ca; diane.mazuroski@aircanada.ca; .sal.ciotti@aircanada.ca; David.Perez@aircanada.ca
Subject: AC/AI

We have reviewed the draft Framework Agreement that you forwarded yesterday.

As you know, AC is not currently transacting any business with AI and has not done so since before AI filed for protection from its creditors. AC would not be willing to resume transacting any business with AI except on a very limited basis and would not do so as long as AI is in default of its obligations to AC. The draft agreement does not reflect these core interests nor AC's understanding of last week's discussions.

AI is occupying AC's premises without any right to do so. Arrangements will have to be made to remove AI's goods. AC is preparing and will forward an account for occupation rent and related administration and services fees for the intervening period.

AC has given AI all the information to which AI is entitled and has also forwarded a ledger setting out the respective credits and balances between the parties. You should refer you to AI's records and the documents previously sent to it for any further information.

Keith

Heenan Blaikie

Keith D. Wilson
Partner /
Associé

Financial Services Law / Droit des services financiers
 HEENAN BLAIKIE LLP / S.E.N.C.R.L., SRL
 (Quebec, Ontario and New York State Bars / Barreaux de Québec, Ontario et New York)

T 514 846.2325 F 514 921.1325 M 514 892.3325 kdwilson@heenan.ca
 1250, boul. René-Lévesque Ouest, bureau 2500, Montréal (Québec) Canada H3B 4Y1 • heenanblaikie.com

Ce courriel pourrait contenir des renseignements confidentiels ou privilégiés. Si vous n'êtes pas le véritable destinataire, veuillez nous en aviser immédiatement. Merci.

This e-mail may contain confidential or privileged information. If you are not the intended recipient, please notify us immediately. Thank you.

11/28/2009

Appendix X

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

1 December 109

*This matter is supported. In light
of the affidavit material filed and
the report of the Joint Administrators,
the appointment of KPMG as receiver of
Aero Inventory Canada Inc is appropriate.
Council of Air Canada, which is not opposing
the order sought, wishes two matters to
be asked. First, the copy of the letter referred
to in para 17 of the Joint Administrators' report
is under discussion by Air Canada with
the Joint Administrators. Second, Air Canada*

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

MOTION RECORD

Ogilvy Renault LLP
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Royal Bank Plaza, South Tower
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4

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Virginie Gauthier LSUC#: 41097D
Tel: (416) 216-4853
Fax: (416) 216-3930

Solicitors for the Applicants

2.

says it is not continuing to draw on
Acad inventory. This matter is being
investigated by the Joint Administrators.

Order to go as asked, Dick J how
signed.

J. W. V.

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

**THIRD REPORT OF KPMG INC. AS
INFORMATION OFFICER**

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Lawyers for the Applicants

3/2