

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**

**SUPPLEMENTAL REPORT TO THE
REPORT OF THE INFORMATION OFFICER AND TRUSTEE IN BANKRUPTCY
DATED FEBRUARY 4, 2010**

FEBRUARY 9, 2010

1. KPMG Inc. is the Information Officer and trustee in bankruptcy (“**Trustee**”) of Aero Inventory (UK) Limited and Aero Inventory plc (the “**Foreign Debtors**”) and the receiver and manager of their Canadian affiliate, Aero Inventory Canada Inc./Aero Inventaire (Canada) Inc. (“**Aero Canada**”).
2. James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP are the Joint Administrators of the Foreign Debtors (collectively, the “**Foreign Representatives**”).
3. The Trustee files this Supplement to its February 4, 2010 Report in order to address issues raised by Air Canada regarding the insurance coverage of the Foreign Debtors.
4. Based on a review of records provided by the Foreign Debtors, their insurance policy is in effect from the period June 1, 2009 to May 31, 2010 with coverage, as it relates to the stock they own and the potential liability associated with the sale of same, which includes:

(a) Employers’ Liability/Public and Products Liability

Insurer: ACE European Group Ltd.
Policy Number: UKCANC31027
Period of Cover: 01 June 2009 to 31 May 2010
Limit of Liability: USD 20,000,000 any one occurrence and in the aggregate in respect of Products

(b) First Excess Public and Products Liability

Insurer: QBE Casualty Syndicate 386
Policy Number: B060903804A09
Period of Cover: 01 June 2009 to 31 May 2010
Limit of Liability: USD 30,000,000 in excess of USD 20,000,000 any one occurrence and in the aggregate in respect of Products

(c) Aviation Products Liability

Insurer: AIG UK Ltd.
Policy Number: B0370J50902629000

Period of Cover: 01 June 2009 to 31 May 2010

Limit of Liability: USD 250,000,000 any one occurrence and in the aggregate annually

(d) Marine Stockthroughput including Stock in Storage and Stock in Transit

Insurer: Various Underwriters at Lloyd's and Company markets

Policy Number: PC0902996000

Period of Cover: 01 June 2009 to 31 May 2010

Limit of Liability: USD 100,000,000 any one Vessel, Aircraft, Postal Sending, Conveyance, or any one loss any one Location throughout the World

(e) Excess Marine Stockthroughput incorporating Stock in Storage and Stock in Transit

Insurer: Various Underwriters at Lloyd's

Policy Number: PC0902997000

Period of Cover: 01 June 2009 to 31 May 2010

Limit of Liability: USD 75,000,000 any one Vessel, Aircraft, Postal Sending, Conveyance, or any one loss any one Location in excess of USD 100,000,000 any one Vessel, Aircraft, Postal Sending, Conveyance, or any one loss any one Location throughout the World

5. A former manager of the Foreign Debtors, subsequently retained by the Foreign Representatives, has advised that the above outlined coverage was put in place to comply with the Foreign Debtors' customer contract requirements.
6. The Foreign Representatives have confirmed that they have instructed the Foreign Debtors' insurance broker to maintain this insurance coverage.
7. KPMG Inc. also understands that Air Canada has raised a concern about the Trustee's duties to report. KPMG Inc. notes that, as Information Officer, it is obliged to report to the Court as to the affairs of the Foreign Debtors and will continue to do so.
8. KPMG Inc. has prepared this Supplemental 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 respectfully submitted this 9th day of February, 2010.

**KPMG INC.
INFORMATION OFFICER AND
TRUSTEE OF THE ESTATES OF
AERO INVENTORY (UK) LIMITED AND AERO INVENTORY PLC**

Per: Nicholas Brearton
Senior Vice President