

Court File No. 09-CL-8456-00CL
Estate No. 31-456351
Estate No. 31-456352

**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**

**SUPPLEMENT TO THE SIXTH REPORT OF KPMG INC.
IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY
AND INFORMATION OFFICER**

APRIL 5, 2013

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INTRODUCTION

1. This supplement to the Sixth Report of the Information Officer and Trustee in Bankruptcy (the "**Supplemental Sixth Report**") is provided in reference to the Sixth Report of the Information Officer and Trustee in Bankruptcy dated March 27, 2013 (the "**Sixth Report**").

2. Capitalized terms used herein and not otherwise defined are as defined in the Sixth Report.

BACKGROUND

3. The Sixth Report was filed to provide information regarding the Foreign Representatives' motion seeking approval of the sale of assets of the Foreign Debtors located in Canada pursuant to an Administration Sale of Assets Agreement (Canadian Assets) (the "**Canadian Sale Agreement**"), dated as of March 26, 2013 between the Foreign Debtors, the Joint Administrators and Diversified Aero Inventory I, LLC.

MATTERS RAISED SINCE SERVICE OF FOREIGN REPRESENTATIVES' MOTION

4. Since the service of the Foreign Representatives' motion record, questions have been raised by Aveos and Air Canada regarding any claim that those parties may have to the pool of Canadian Transferred Assets (as such term is defined in the Canadian Sale Agreement and in the draft order approving the Canadian Sale Agreement). Those assets were retrieved from sites where they were commingled with other assets belonging to Aveos and Air Canada.

5. In substance, these questions raise the possibility that the Foreign Debtors may be seeking to dispose of property owned by Aveos or Air Canada.

6. As noted in the Sixth Report, the Joint Administrators have taken extensive steps to identify any instances in which third party owned property may be included in the pool of assets that are the subject of this sale and have taken all reasonable steps to remove any third party owned property from the pool of assets that are the subject of this sale. As a result, the

Joint Administrators have no reason to believe that the Canadian Transferred Assets contain any third party owned property.

7. The Joint Administrators acknowledge that Aero is currently in possession of certain identified property that may be owned by Aveos or Air Canada, but that property does not form part of the Canadian Transferred Assets.

ASSETS IN AERO'S POSSESSION

8. Until mid- 2012, substantially all of the Canadian Aero Parts were located at facilities under the control of Air Canada, Aveos or a third party warehouse provider contracted by Aveos.

9. Aero was able to identify those CAT 3 Parts that it owned, wherever located, by reference to computer programs known as the Algorithm and the Bin Allocation Program, which are described in the Sixth Report. These programs were agreed upon by Aero, Aveos and Air Canada as the basis upon which the parties would track consumption and ownership of CAT 3 Parts at any particular date on or after October 1, 2009. An endorsement evidencing Air Canada's agreement on this point is attached hereto as Appendix "A". An agreement with Aveos on this point is attached hereto as Appendix "B".

10. Once ownership was determined using the Algorithm and the Bin Allocation Program, Aero had to coordinate the physical retrieval of the Canadian Aero Parts.¹ This process commenced in June of 2012. Agreements were entered into with Aveos and/or Air Canada on or about May 28, 2012, June 15, 2012 and September 5, 2012 in respect of this uplift. Copies of those agreements are attached hereto as Appendices "C", "D" and "E", respectively. These agreements are filed confidentially as they may contain information that is commercially sensitive to Aveos and/or Air Canada.

11. In the case of assets located at all but one of the Air Canada-controlled facilities, Air Canada delivered the Canadian Aero Parts to Aero. Aero would provide Air Canada with a

¹ The value of inventory located in a warehouse rented by Aero Inventory (Canada) Inc. at November 11, 2009 amounted to \$4.4 million.

list of parts to deliver (based upon data from the Algorithm and the Bin Allocation Program) and Air Canada would review that list and deliver the relevant parts. These assets account for 15% of the overall dollar value of CAT 3 Parts that are now in Aero's possession.² Aero paid Air Canada approximately CDN\$200,000 to undertake this process. The removal process was completed at these facilities in late November 2012.

12. In the case of one particular Air Canada-controlled facility Aero rented this facility from Air Canada and Aero's contractors undertook the parts removal exercise, again based upon data derived from the Algorithm and the Bin Allocation Program. The assets at this facility account for 39% of the overall dollar value of CAT 3 Parts that are now in Aero's possession². The removal process was completed at this facility in mid-August 2012.

13. In the case of assets located at the Aveos-controlled facilities in Montreal, Aero's contractors were left to undertake the parts retrieval process, again based upon information from the Algorithm and the Bin Allocation Program.³ Aveos oversaw this parts retrieval process at Aero's cost. Aveos inspected parts retrieved from these facilities on a sample basis at their discretion. The assets retrieved from the Aveos-controlled facilities account for 10% of the overall CAT 3 Parts now in Aero's possession². The removal process was completed at these facilities in mid-August, 2012.

14. At certain third party warehouses where Aveos had deposited Canadian Aero Parts along with other parts owned by Aveos and Air Canada, Aero could only gain access to its parts if it (i) satisfied certain arrears of rent at the warehouses that remained unpaid by Aveos in the approximate amount of CDN\$110,000; and (ii) removed Aveos-owned parts and Air Canada-owned parts along with the Canadian Aero Parts. The assets retrieved from these warehouses account for 36% of the overall CAT 3 Parts now in the possession of Aero². The removal process was completed at these facilities in late July of 2012.

² These percentage figures exclude "Overages" discussed below and the value of inventory located in a warehouse rented by Aero Inventory (Canada) Inc. on November 11, 2009 (referred to in footnote 1).

³ At Aveos facilities located in Winnipeg and Vancouver, Aveos undertook the uplift activities.

15. When the parts retrieval process was completed, the Algorithm and the Bin Allocation Program determined that Aero was in possession of Aero-owned CAT 3 Parts and certain "Overages". The value of the Overages is approximately CDN\$7.8 million at AIP prices. Aero was also without CDN\$11.4 million of Canadian Aero Parts that it expected it would receive. Overall, Aero has not been able to recover approximately 17% of the inventory that the Bin Allocation Program and the Algorithm suggested should be received.

OVERAGES

16. Based upon the information in the Algorithm and the Bin Allocation Program, Aero is in possession of certain CAT 3 Parts with an AIP value of \$7.8 million that Aero did not expect to retrieve and that Aero cannot confirm that it owns. Approximately 70% of these Overages were retrieved from the third party warehouse where Aero was compelled to remove Air Canada and Aveos-owned CAT 3 Parts. The vast majority of these Overages are CAT 3 Parts that are not accounted for in the Bin Allocation Program or the Algorithm.

17. None of the Overages are included in the Canadian Transferred Assets.

18. On March 28, 2013, the Information Officer wrote to Aveos and Air Canada regarding these Overages. A copy of that correspondence is attached hereto as Appendix "F".

CANADIAN TRANSFERRED ASSETS

19. In order to arrive at a balance of Canadian Transferred Assets that Aero could fairly sell at this time, one must remove from the overall balance of CAT 3 Parts currently held by Aero (i) the Overages; and (ii) certain CAT 3 Parts that may be subject to a competing contingent ownership claim by Air Canada (but not Aveos). Both of these classes of CAT 3 Parts are identifiable using the Bin Allocation Program, the Algorithm and information that has been provided to Aveos and Air Canada. The remaining CAT 3 Parts would be the Canadian Transferred Assets.

20. On the basis that the Algorithm and the Bin Allocation Program are the appropriate means to evaluate this matter, the Joint Administrators are unaware of any evidence to

suggest that any of the Canadian Transferred Assets belong to anyone other than Aero or that Aero is not entitled to sell those assets at this time.

21. Using appropriate computer programs, the full list of Canadian Transferred Assets can be compared to the information contained in the Algorithm and the Bin Allocation Program to confirm that the Canadian Transferred Assets are owned by Aero. The Joint Administrators' staff were able to complete this comparison over the course of a few hours. The Joint Administrators have offered to assist Aveos and Air Canada in reviewing this information and a discussion on this matter has taken place between Air Canada and Aero personnel on the date of this report

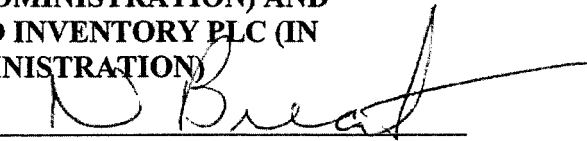
TIME CONSTRAINTS

22. The Joint Administrators believe that the closing of this transaction is a time sensitive matter. These proceedings have been ongoing for over three years and the estates of the Foreign Debtors have limited funds to continue in administration in absence of the funding provided by this transaction. The Purchaser has negotiated that the granting of the Canadian sale approval order is a condition to the closing of Aero's global asset sale transaction. As a legal matter, the timing of the granting of the sale order will not affect the Purchaser's obligation to close. However, the Joint Administrators believe that the practical deal risk increases as time goes on particularly in view of the fact that the target date for receipt of the Canadian sale approval order is before April 16, 2013 and in view of the fact that the Purchaser is a special purpose vehicle created for the purpose of the sale transaction. The support of the proposed transactions by the secured lenders to Aero has been premised upon a prompt closing to this transaction. Aero also continues to incur storage costs while closing is delayed. Any delays in closing are of significant concern to the Joint Administrators.

All of which is respectfully submitted this April 5, 2013.

**KPMG INC. AS
INFORMATION OFFICER OF
AERO INVENTORY (UK) LIMITED
(IN ADMINISTRATION) AND
AERO INVENTORY PLC (IN
ADMINISTRATION)**

Per:

A handwritten signature in black ink, appearing to read "N Brearton", is written over a horizontal line.

Nicholas Brearton

President

Tab A

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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ENDORSEMENT

Counsel to Air Canada and to the Joint Administrators advise that the only outstanding issue with respect to the ownership and uplift agreement is agreement regarding Aveos' acceptability to undertake the uplift. Counsel to Air Canada and to the Joint Administrators will re-attend at a 9:30 appointment on March 19, 2012 in order that Air Canada can advise at that time whether Aveos is a suitable party to undertake the uplift, as well as the reasons why Aveos is not a suitable party if that is the case.

Air Canada and Aero Inventory (UK) Limited (in administration) advise that they hereby agree to the following:

- (a) Virtual Inventory Management System, based upon Business Rules Document version 2.1, is the agreed upon means by which Air Canada and Aero UK will track consumption and ownership of Category 3 Consumable and Expendable Spare Parts ("CAT 3 Parts") at any particular date on or after October 1, 2009.
- (b) The Bin Allocation Program identifies the bin locations of the CAT 3 Parts mentioned above at any date on or after October 1, 2009.
- (c) The balance of Aero-owned CAT 3 Parts at Air Canada's and Aveos' facilities as at September 30, 2009 is as reflected in the files delivered to Air Canada in connection the

March 1 letter delivered by KPMG Inc., in its capacity as information officer of Aero Inventory (UK) Limited (in administration), to Air Canada, among others (the "March 1 Letter").

- (d) The balance of Aero-owned CAT 3 Parts as at November 11, 2009 (by facility) and as at March 1, 2012 (by facility and bin location) are as reflected in the files delivered to Air Canada in connection with the March 1 Letter and the March 7 email from Francois Gagnon to Anton Vidgen and Norma Carey, respectively.
- (e) The balance of Swapped Back CAT 3 Parts as at November 11, 2009 and as at March 1, 2012 are as reflected in the files delivered to Air Canada in connection with the March 1 Letter and the March 7 email from Francois Gagnon to Anton Vidgen and Norma Carey, respectively.

A handwritten signature in black ink, appearing to be 'G. Gagnon', located in the lower right quadrant of the page.

Tab B

Agreed and accepted this ____ day of April, 2012

Aveos Fleet Performance Inc.

Per: _____

Name:

Title:

SCHEDULE OF FACILITIES

Air Canada Facilities

Vancouver - 6001 Grant McConachie Way, Richmond, British Columbia, V7B 1K3

Toronto - 6420 Silver Dart Drive, Mississauga, Ontario, L5P 1B4 (aka 6400 Airport Road)

Montreal (Main Stores) - 730 ch. de la cote-Vertu, Dorval, QC H4Y 1C2

Aveos Facilities

Vancouver - 6001 Grant McConachie Way, Richmond, British Columbia, V7B 1K3

Winnipeg - 2450 Saskatchewan Ave., Winnipeg, Manitoba, R3J 3Y9

Toronto - 3111 Convair Drive, Mississauga, Ontario, L5P 1C2

Montreal (Engine Centre) - 710 ch. de la cote-Vertu, Dorval, QC H4S 1Y9

Montreal (Metro Warehouse) - 5650 Trans-Canadienne, Pointe Claire, QC, H9R 1B9

Montreal (Main Stores) - 730 ch. de la cote-Vertu, Dorval, QC H4Y 1C2

April 13, 2012

Aveos Fleet Performance Inc.
2311 Alfred-Nobel Blvd.
Saint Laurent, Quebec
H4S 2B8

Attention: Albert Chappell

Dear Sir:

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

This letter sets out the understanding of Aero UK and Aveos Fleet Performance Inc. ("Aveos") in relation to ownership of Category 3 Consumable and Expendable Spare Parts ("CAT 3 Parts") located at the facilities listed on the schedule attached hereto (the "Facilities").

We refer to an email delivered by Francois Gagnon to Norma Carey on March 7, 2012 (the "March 7 Email"). We also refer to a letter sent by KPMG Inc., as information officer of Aero UK, to Aveos on March 1, 2012 (the "March 1 Letter").

1. VIMS Version 2.1. Virtual Inventory Management System, based upon Business Rules Document version 2.1, ("VIMS") is the agreed upon means by which Aveos and Aero UK will track consumption and ownership of CAT 3 Parts located at the Facilities as between themselves at any particular date on or after October 1, 2009. For greater certainty, nothing herein will impact the invoicing rights of Aero UK and Air Canada as between themselves.
2. Bin Allocation Program. The Bin Allocation Program identifies the bin locations of the CAT 3 Parts mentioned above at any date on or after October 1, 2009.
3. Starting Balance. The balance of Aero-owned CAT 3 Parts at the Facilities as at September 30, 2009 is as reflected in the files delivered to Aveos in connection with the March 1 Letter.
4. Interim Balances. The balance of Aero-owned CAT 3 Parts as at November 11, 2009 (by Facility) and as at March 1, 2012 (by Facility and bin location) are as reflected in the files delivered to Aveos in connection with the March 1 Letter and the March 7 Email, respectively.

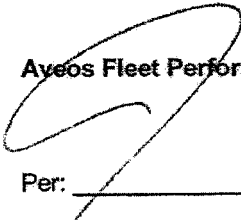
Yours very truly,

AERO INVENTORY (UK) LIMITED
(IN ADMINISTRATION)

By _____
one of its administrators acting as agent without
personal liability pursuant to powers conferred under
the English Insolvency Act 1986, duly authorized as
he so declares

)
)
)
)
) Administrator

Agreed and accepted this 13th day of April, 2012


Ayeos Fleet Performance Inc.
Per: _____
Name: Mr. Jonathan Solursh
Title: Chief Restructuring Officer

SCHEDULE OF FACILITIES

Air Canada Facilities

Vancouver - 6001 Grant McConachie Way, Richmond, British Columbia, V7B 1K3

Toronto - 6420 Silver Dart Drive, Mississauga, Ontario, L5P 1B4 (aka 6400 Airport Road)

Aveos Facilities

Vancouver - 6001 Grant McConachie Way, Richmond, British Columbia, V7B 1K3

Winnipeg - 2450 Saskatchewan Ave., Winnipeg, Manitoba, R3J 3Y9

Toronto - 3111 Convair Drive, Mississauga, Ontario, L5P 1C2

Montreal (Engine Centre) - 710 ch. de la cote-Vertu, Dorval, QC H4S 1Y9

Montreal (Metro Warehouse) - 5650 Trans-Canadienne, Pointe Claire, QC, H9R 1B9

Montreal (Main Stores) - 730 ch. de la cote-Vertu, Dorval, QC H4Y 1C2

Tab C

Confidential

Tab D

Confidential

Tab E
Confidential

Tab F



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Toronto ON M5H 2S5
Canada

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Fax (416) 777-8818
Internet www.kpmg.ca

Air Canada
YUL 1435
730 Cote-Vertu Ouest
Dorval, QC H4S 1Y9

Aveos Fleet Performance Inc.
2311 Alfred-Nobel Blvd, Ban 3
4th Floor
Saint Laurent, QC M5L 1A2

Attention: Mr. Gilles Neron
Director, Strategy & Commercial

Attention: Mr. Jeff Gollob

March 28, 2013

Dear Sirs;

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

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

The purpose of this letter is to advise Aveos Fleet Performance Inc. ("Aveos") and Air Canada of certain discrepancies that have come to the attention of the Administrators following the completion of the segregation of Aero UK's Canadian inventory.

As you are aware, the process of recovering and segregating Aero UK's Canadian inventory involved efforts undertaken by Air Canada and by Aero UK's contractor, DHL¹, to identify and deliver Aero UK's Canadian inventory to a warehouse located at 195 Voyageur Avenue in Montreal (the "Canadian Warehouse"). These efforts were undertaken in the following manner:

- a. at sites controlled by Aveos, DHL identified, removed and delivered Aero UK's Canadian inventory to the Canadian Warehouse²;
- b. at one Air Canada controlled facility that was the subject of a license agreement entered into between, among others, Air Canada and Aero UK (the "Montreal Main Stores"), DHL identified, removed and delivered Aero UK's Canadian inventory to the Canadian Warehouse;
- c. at a third party controlled warehouse operated by 3E Logistics Inc., at which Aveos previously deposited inventory owned by each of Air Canada, Aveos and Aero UK,

¹ Aero Inventory (Canada) Inc. representatives assisted DHL in this process.

² We understand that Aveos employees segregated, packed and delivered parts from Winnipeg and Vancouver to a centralized Aveos-controlled location in Montreal prior to DHL taking any steps to identify, remove and deliver Aero UK's inventory from that Montreal facility.



Aero UK accepted delivery of all such inventory, irrespective of ownership, as the warehouse operator was unwilling to segregate and release only Aero UK's property.; and

- d. at Air Canada controlled facilities, other than the Montreal Main Stores, Air Canada identified, removed and packed on pallets the Aero UK inventory at Aero UK's cost. DHL then loaded the pallets and delivered the inventory on those pallets to the Canadian Warehouse.

The foregoing steps were undertaken pursuant to the contractual arrangements that were put in place (i) between, Aero UK and Aveos on May 28, 2012; (ii) between Aero UK and Air Canada on or about June 15, 2012; and (iii) between Aero UK, Air Canada and Aveos dated as of September 5, 2012.

Aero UK has now compiled a list of inventory that it received (segregated by Air Canada Identification Number ("ACID")) and has compared the volumes of inventory received against the volumes of inventory that Aero UK expected to receive in accordance with the Virtual Inventory Management System, based upon Business Rules Document version 2.1 ("VIMS"), and an agreed upon bin allocation program. The data presented below is based on the output of VIMS and the bin allocation program as at June 1, 2012, which represents the key date adopted by Aero UK for the purpose of the inventory uplift and reconciliation process.³

In respect of certain ACIDs, Aero UK has received significantly less inventory than was expected ("deficiencies") from each facility.

In respect of other ACIDs, Aero UK has received significantly more inventory than was expected ("surpluses") from each facility, the majority of which was sourced from third party controlled warehouses.

A summary of these discrepancies, quantified based upon AIP value is set out below.⁴

AIP \$m	EXPECTED	RECEIVED			DEFICIENCIES
		Sub Total	Surpluses	Total	Total
Aveos Facilities	6.7	5.3	0.4	5.7	1.4
Montreal Main Stores	23.3	21.6	1.3	22.9	1.7
Third Party Warehouses	24.1	20.2	5.5	25.7	3.9
Air Canada Facilities	12.7	8.3	0.6	8.9	4.4
Total	66.8	55.4	7.8	63.2	11.4

³ This date was selected as it represents the date upon which "pick tickets" were prepared for inventory at both Aveos and Air Canada locations.

⁴ This data does not relate to \$4.4 million worth of inventory at a warehouse rented by Aero Inventory (Canada) Inc.



Aero UK has noted deficiencies from Aveos controlled facilities, which total \$1.4 million at AIP value. After accounting for inventory controlled by Aveos at third party controlled warehouses, the total deficiencies are priced at approximately \$5.3 million at AIP value.

Aero UK has noted deficiencies from Air Canada controlled facilities, which total \$6.1 million at AIP value.

Aero UK has analyzed the composition of the surplus balances in order to determine what portion of the surpluses are owned by each of Aveos and Air Canada based upon the data provided by VIMS. That analysis has provided the following results:

Aveos-owned inventory (definitive)	\$85,953
Aveos-owned inventory (potential) ⁵	\$351,658
Air Canada-owned inventory (definitive)	\$133,146
Air Canada-owned inventory (potential) ⁵	\$416,507

In the above chart:

- a. \$85,953 and \$133,146 of inventory (at AIP value) is considered to be owned by Aveos or Air Canada, respectively, because at a bin level it is identified by VIMS and the bin allocation program as such.
- b. \$351,658 and \$416,507 of inventory (at AIP value) could potentially be owned by Aveos or Air Canada, respectively, because it is identified by VIMS and the bin allocation program as being of an ACID type and quantity owned by that party and at least one other party at a national level (note that the particular part physically held by Aero UK is not reflected at a bin level in the bin allocation program);
- c. with regard to the balance of surpluses, the potential ownership cannot begin to be determined as VIMS and the bin allocation program reflect that none of Air Canada, Aveos and Aero UK own these particular ACIDs at a bin level or national level.

The above data shows that ownership of the vast majority of all surpluses are, in fact, unaccounted for by VIMS. Any attempt to make ownership determinations on these parts would require the development of a new computer model, which may or may not be successful.

⁵ There is an overlap of parts between these two categories, being those that are potentially owned by a) both Aveos and Air Canada, or b) all of Aveos, Air Canada and Aero.



Aero UK proposes that the surplus parts issue be dealt with as follows:

Aveos – Owned Parts

Aero UK invites Aveos to attend at the Canadian Warehouse to retrieve these parts. Aero UK notes that of the \$85,953 worth of these parts (at AIP value) approximately \$38,700 is currently physically segregated. The remaining \$47,253 of these parts are commingled with other inventory in not less than 100 separate pallets in the Canadian Warehouse.

A list of the Aveos-owned parts is enclosed herewith.

Air Canada- Owned Parts

Aero UK invites Air Canada to attend at the Canadian Warehouse to retrieve these parts. Aero UK notes that of the \$133,146 worth of parts (at AIP value) approximately \$68,713 is currently physically segregated. The remaining \$64,433 of these parts are commingled with other inventory in not less than 100 separate pallets in the Canadian Warehouse.

A list of the Air Canada-owned parts is enclosed herewith.

Parts Where Ownership is Uncertain

As discussed above, the vast majority of the overage at the Canadian Warehouse is inventory for which Aero UK cannot definitively determine ownership. In certain instances, this inventory is commingled with Aero UK owned inventory.

A list of these parts is enclosed herewith.

The Administrators believe that the sole issue to be resolved is the handling of those parts where ownership remains uncertain. Based upon past experience on ownership negotiations between these three parties, one can only assume that such negotiations would be lengthy and costly and would be best avoided by Aero UK given the current state of its insolvency proceedings. As a result, Aero UK does not intend to assert an interest in any of this inventory and does not intend to continue to incur costs to store this inventory at the Canadian Warehouse.

Aero UK would welcome both Aveos and Air Canada to independently resolve any claims that they each may have to this inventory and would assist in providing information necessary to do so. Aero UK would make that inventory available for pick up upon a resolution being reached and upon receipt of a release of all claims against Aero UK in respect of that inventory from both Air Canada and Aveos.

Aero UK will be vacating the Canadian Warehouse on or before April 30, 2013. If this matter is not resolved on or before April 22, 2013, Aero UK will have no choice but to move this remaining inventory to an alternative and more cost-effective storage location where access and



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March 28, 2013

organization of this inventory will likely be more challenging for all parties involved. If necessary, Aero will also consider its legal options to resolve ownership of these parts at that time.

If you have no intention of seeking to recover the parts for which ownership remains unresolved, please advise.

Yours very truly,

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

Per: Nicholas Brearton

*cc: Alex Rose – Stikeman Elliott LLP – Without enclosure
Roger Simard – Norton Rose LLP – Without enclosure
Evan Cobb – Norton Rose LLP – Without enclosure
Garath Harries – Manager of Contract Administration, Air Canada – Without enclosure
David Pike – Director, KPMG LLP (UK) – Without enclosure
Jeff Oakman – Senior Manager, KPMG LLP (UK) – Without enclosure
Jim Tucker – Joint Administrator of Aero Inventory (UK) Limited – Without enclosure*

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

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COMMERCIAL LIST

Proceeding commenced at Toronto

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IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY
AND INFORMATION OFFICER**

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