

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

AFFIDAVIT OF INGRID ROWE
(sworn February 9, 2010)

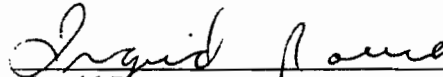
I, INGRID ROWE, of the City of Toronto, in the Province of Ontario, MAKE OATH
AND SAY THAT:

1. I am a legal assistant with the firm of Heenan Blaikie LLP, lawyers for Air Canada and as such have knowledge of the matters hereinafter deposed.
2. I have been shown a copy of Exhibit "A" of Alan Butterfield's affidavit sworn January 28, 2010 which is the Agreement for the Supply and Management of Consumable and Expendable Spare Parts between Air Canada and Aero Inventory (UK) Limited ("Line Maintenance Agreement"). I have read Section 30 – Insurance and Schedule 5 – Insurance.

Attached as Exhibit "A" is a copy of the cover page of the Line Maintenance Agreement and Section 30 - Insurance together with Schedule 5 - Insurance.

SWORN BEFORE ME at the City of)
Toronto, in the Province of Ontario this)
9th day of February, 2010.)


_____)



Ingrid Rowe

A Commissioner for Taking Affidavits
KENNETH KIRBY

AIR CANADA

AND

AERO INVENTORY (UK) LIMITED

AGREEMENT FOR THE SUPPLY AND MANAGEMENT OF
CONSUMABLE AND EXPENDABLE SPARES

December 10, 2008

This is Exhibit "A" referred to in the
affidavit of INGRID ROWE
sworn before me, this 9th
day of FEBRUARY 2010.

AI AGREEMENT NO: AIAC001
AC AGREEMENT NO: ACSC-2008-P33-1976-15


A COMMISSIONER FOR TAKING AFFIDAVITS

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- 29.5 Each Party's liability under this Section shall be reduced as follows:
- (a) to the extent that the Supplier's position is materially compromised or prejudiced by any breach by AC of any material provision of the Agreement; and;
 - (b) to the extent that any negligent, reckless, wilful or unlawful acts or omissions by the indemnified parties have contributed to the liability.
- 29.6 Each Party shall have a duty to mitigate Damages for which the other Party is responsible.
- 29.7 The Supplier acknowledges that every director, officer, employee, servant, agent and contractor of the Supplier shall at all times while in or about the premises of AC be there at his/her own risk of loss, damage or injury, including injury resulting in death, howsoever caused, and the Supplier shall indemnify and save harmless AC against every claim or claims, including, without limitation, any claim under or by virtue of any Workers' Compensation legislation in respect of any such loss, damage or injury suffered or sustained by such Persons, provided that such loss, damage or injury does not arise from any breach by AC or its personnel of OHS Requirements applicable to AC.
- 29.8 AC shall:
- (a) promptly notify the Supplier of any claim for which an indemnity claim is made against Supplier, and provide all relevant information to the Supplier in a timely manner;
 - (b) not make any admission of liability or reach any settlement or compromise without first obtaining the Supplier's approval, not to be unreasonably withheld or unduly delayed;
 - (c) give the Supplier the sole right to conduct the defence of any claim (provided AC shall be entitled to be represented by counsel of its choosing at Supplier's cost, provided reasonable legal costs), including the right to settle or compromise the claim as it sees fit, provided that no settlement may impose any obligations upon AC or ascribe any liability to AC; and
 - (d) provide all such assistance as the Supplier may reasonably require, at the Supplier's expense.

30. INSURANCE

- 30.1 The Supplier must take out and maintain valid and enforceable insurance policies of the types and for the coverage specified in Schedule 5 – Insurance.
- 30.2 Unless specified in Schedule 5 – Insurance, the Supplier must ensure that the insurance policies:
- (a) are primary and without any right of contribution by AC or any insurance effected by AC and, where appropriate, name AC and its Personnel as 'Additional Insured' Persons in respect of liability incurred as a result of an act or omission of the Supplier or its Personnel;
 - (b) contain a waiver of subrogation in favour of AC and its insurers;

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- (c) contain provisions providing that each of the insured and Additional Insured has a separate insurable interest;
 - (d) contain no provisions that any breach of Warranty under this Agreement by the Supplier will adversely affect any insurance or conditions under Sections 29.7 and 30.2.
- 30.3 The Supplier must provide AC with certificates from the Supplier's insurance brokers certifying that the Supplier has insurance as required in Schedule 5 and that the policy complies with the terms contained herein. Such certificate shall provide for a 30 day notification to AC in the case of a cancellation or material change to the Supplier's policy.

31. TAXATION AND EMPLOYER OBLIGATIONS

31.1 General Taxes.

- (a) Subject to sub clause 2 of this Section, if any applicable tax (other than net or gross income tax) is increased or decreased or a new tax increases or decreases the cost of the Parts, the price of the Parts payable by AC under this Agreement will be increased or decreased (as the case may be) by the net effect of the new tax. AC will not be required to pay any increase unless and until it is reasonably satisfied that the claimed increase is actually attributable to the new tax and takes into account reductions in any other tax.
- (b) If required to do so by relevant taxation legislation or regulation, AC will deduct taxes from payments to the Supplier, except where the Supplier can provide evidence issued by the relevant taxation authority of an exemption from, or rate variation of, such taxes. If any taxes are deducted, AC will promptly notify the Supplier (including if there is thereafter any change in the rates at which or the manner in which such deductions or withholdings are calculated) Where an amount previously withheld or deducted is subsequently refunded, credited or otherwise returned to AC, AC shall promptly pass on the benefit to the Supplier.
- (c) The Supplier must ensure that it complies with all obligations relating to payments of taxes or levies imposed upon an employer which arise in respect of any amounts paid to the Supplier under this Agreement and that it complies with all requirements imposed on an employer under the relevant legislation to keep records, lodge returns and provide information in relation to such obligations.
- (d) The Supplier is responsible for and shall pay or reimburse AC for and indemnify AC against all taxes, stamp duties, charges, fees and other imposts of whatever kind (including any fine or penalty imposed in connection therewith) levied, assessed, charged or collected in connection with this Agreement or the supply of the Parts the subject of this Agreement or the Services performed pursuant to this Agreement.

31.2 Sales Tax.

- (a) Unless expressly stated to be inclusive of any applicable Sales Taxes, the consideration for the supply of goods, Services or other things under this Agreement (other than as required by this Section) has been calculated exclusive of all Sales Taxes.

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SCHEDULE 5 – INSURANCE

1. **INSURANCES TO BE HELD BY THE SUPPLIER PURSUANT TO SECTION 30**
 - 1.1 Aviation Product Liability for a combined single limit (bodily injury/property damage) of not less than USD250,000,000 any one occurrence and in annual aggregate.
 - 1.2 Comprehensive General Liability (bodily injury/property damage) for a combined single limit of not less than USD50,000,000 any one occurrence and in annual aggregate.
 - 1.3 Property insurance for a limit of not less than the full replacement value of the inventory held at AC facilities.
 - 1.4 Adequate Workers' Compensation Liability in accordance with applicable laws.

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

Affidavit of Ingrid Rowe
Sworn February 9, 2010

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