

**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**

**MOTION RECORD
(Motion returnable February 10, 2010)**

February 4, 2010

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Lawyers for the Applicants

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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

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NOTICE OF MOTION

The Applicants will make a motion to a Judge presiding over the Commercial List, on February 10, 2010, at 10:00 am or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

- (a) An order abridging the time for service of the Motion Record in respect of this motion, so that this motion is properly returnable today, and dispensing with further service thereof;
- (b) An order extending *nunc pro tunc*, the time periods for KPMG Inc. in its capacity as trustee of the Foreign Debtors (as hereinafter defined) (the

“Trustee”) to perform its obligations as prescribed by sections 16, 21, 22, 24, 27 (save for such reports as may be required pursuant to subsection 27(c)) and 102 of the *Bankruptcy and Insolvency Act* (“**BIA**”) until further Order of this Court and relieving the Trustee from performing such obligations until such further Order;

- (c) An order extending, *nunc pro tunc*, the time periods for the Foreign Debtors (as hereinafter defined) to perform their obligations under section 158 of the BIA *nunc pro tunc* until further Order of this Court and relieving them from performing such obligations until such further Order;
- (d) An order approving the form of notice attached as Appendix C to the Trustee in Bankruptcy’s Report dated February 4, 2010, and authorizing and directing the Trustee in Bankruptcy to cause such notice to be delivered to all known creditors of the Foreign Debtors by regular mail;
- (e) An order that the Foreign Representatives, (as herein defined), shall be authorized to provide direction to the Trustee in Bankruptcy as required, including the authority to direct and supervise the Trustee to pursue a claim under sections 95 and 96 of the BIA, subject to the review of this Honourable Court at the instance of the Trustee or any interested party; and
- (f) Such further and other relief as counsel may advise and this Honourable Court deem just.

THE GROUNDS FOR THE MOTION ARE:

- (a) On November 11, 2009, administration proceedings (collectively, the “**Foreign Proceedings**”) were commenced in respect of Aero Inventory (UK) Limited and Aero Inventory plc (both in administration and, collectively, the “**Foreign Debtors**”), in the High Court of Justice of England and Wales (Chancery Division, Companies Court) (the “**English Court**”), and James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP (collectively, the

- “**Foreign Representatives**”) were appointed as joint administrators of the affairs, business and property of the Foreign Debtors;
- (b) Also on November 11, 2009, this Honourable Court made an order (the “**Recognition Order**”), inter alia:
 - (i) Recognizing and enforcing the terms of the orders made on November 11, 2009 by the English Court;
 - (ii) Recognizing the Foreign Proceedings as “foreign main proceedings” pursuant to Section 47 of the CCAA;
 - (iii) Recognizing the Foreign Representatives as “foreign representatives” as defined in Section 45 of the CCAA; and
 - (iv) Appointing KPMG Inc. as Information Officer in respect of these proceedings;
 - (c) On January 22, 2010, this Honourable Court made an order authorizing the Foreign Representatives to assign the Foreign Debtors into bankruptcy;
 - (d) The express purpose of such assignment was solely to preserve and facilitate a preference action under the *BIA*;
 - (e) The assignment was duly made, and KPMG Inc. was appointed as Trustee in Bankruptcy of each of the Foreign Debtors;
 - (f) The Foreign Representatives are court officers charged by the English Court in the Foreign Proceedings to realize upon the assets of the Foreign Debtors, including taking control of the assets, books and records of the Foreign Debtors and addressing any creditors’ claims;
 - (g) It is anticipated that the Foreign Debtors’ secured creditors, who have security over all of the Foreign Debtors’ assets, will suffer a shortfall and that there will be no recovery for the Foreign Debtors’ unsecured creditors;

- (h) In these circumstances, there is no need for the Trustee in Bankruptcy to perform many of its statutory obligations at this time, including the distribution of proofs of claim forms, advertisement of the bankruptcies, the conduct of creditor meetings or the assumption of control of assets or books and records;
- (i) It would therefore be duplicative, confusing and unnecessary, including from a cost perspective, to require the Trustee in Bankruptcy to attend to certain of the statutory obligations prescribed by the *BIA*, including to prepare the statements, list of creditors or other material required by the *BIA*, or take steps or send material or notices to the creditors, all as otherwise required under, *inter alia*, sections 16, 21, 22, 24, 27 and 102 of the *BIA*;
- (j) It would similarly be unjustified to require the Foreign Debtors to comply with section 158 of the *BIA* in these circumstances;
- (k) Effectively suspending the Canadian bankruptcies will not be detrimental to the creditors and will instead be in the general interests of the administration of the estates as the restructuring is continuing in the Foreign Proceedings;
- (l) The delivery by regular mail of a notice in the form appended to the February 4, 2010 Report to the known creditors of the Foreign Debtors will ensure that such creditors are apprised of the circumstances of the bankruptcies;
- (m) In the absence of any inspectors, and in order to give effect to the intended purpose of preserving and pursuing a preference claim, the Foreign Representatives also seek authorization to direct the Trustee in Bankruptcy to take certain steps in respect of that potential claim, all subject to review by this Honourable Court;
- (n) Sections 187(11) and (12) of the *BIA*;
- (o) Sections 44, 48(4), 49 and 50 of the *Companies' Creditors Arrangement Act*; and

- (p) Such further and other grounds as counsel may advise and this Honourable Court permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) The Report of the Trustee dated February 4, 2010 and appendices thereto; and
- (b) Such further and other evidence as counsel may advise and this Honourable Court permit.

February 4, 2010

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Respondents

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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 AS JOINT ADMINISTRATORS

AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED and AERO INVENTORY PLC

Court File No: 09-CL-8456-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**NOTICE OF MOTION
(RETURNABLE FEBRUARY 10, 2010)**

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Lawyers for the Applicants

TAB 2

Court File No. 09-CL-8456-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

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Respondents

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

REPORT OF THE INFORMATION OFFICER AND TRUSTEE IN BANKRUPTCY

FEBRUARY 4, 2010

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INTRODUCTION

1. KPMG Inc. is the Information Officer of Aero Inventory (UK) Limited and Aero Inventory plc (the “**Foreign Debtors**”) and 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 (collectively, the “**Foreign Representatives**”) brought a motion before this Honourable Court seeking an order temporarily lifting the stay imposed by the order dated November 11, 2009 (the “**Recognition Order**”) to permit an assignment into bankruptcy of the Foreign Debtors under the *Bankruptcy and Insolvency Act* (“**BIA**”).
3. The express purpose of the proposed bankruptcy filing was to preserve the rights of the trustee in bankruptcy to pursue any reviewable transactions, settlements and preferences or conveyances under value which may have taken place during the statutory time period prescribed by the BIA.
4. On Friday January 22, 2010, the Honourable Justice Morawetz issued an Order (the “**Lift Order**”) temporarily lifting the stay granted in the Recognition Order and authorizing the Foreign Representatives to assign the Foreign Debtors into bankruptcy. The assignment documents, attached hereto as **Appendix A**, were filed with the office of the Superintendent of Bankruptcy on January 22, 2010 and the Certificates of Appointment, attached hereto as **Appendix B**, were issued naming KPMG Inc. as Trustee (the “**Trustee**”) of both Aero Inventory (UK) Limited and Aero Inventory Plc.
5. The purpose of this report by the Trustee is to seek the approval of this Honourable Court for:
 - (a) An extension of the time periods *nunc pro tunc* for the Trustee to perform its statutory obligations as prescribed by sections 16, 21, 22, 24, 27 and 102 of the *BIA* until further Order of this Court and relief from performing such obligations until such Order;
 - (b) An extension of the time periods *nunc pro tunc* for the Foreign Debtors to perform their obligations under section 158 of the BIA until further Order of this Court and relief from performing such obligations until such Order;

- (c) The delivery by the Trustee, by ordinary mail, of a notice to the Foreign Debtors' known creditors in the form attached as **Appendix C** to this Report (the "**Trustee's Letter**"); and
 - (d) The Foreign Representatives to be authorized to provide direction to the Trustee as required, including the authority to direct and supervise the Trustee to pursue a claim under sections 95 and/or 96 of the BIA, subject to the review of this Court.
6. In preparing this report, KPMG Inc. has relied solely on information supplied by the Foreign Representatives and their counsel. KPMG Inc. has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and accordingly expresses no opinion or other form of assurance on the information contained in this report.

BACKGROUND

7. The Foreign Debtors and their international affiliates, including Aero Canada, form an integrated and inter-dependent group of companies that supply parts to the airline industry.
8. The Foreign Debtors have assets in Canada, and their Canadian operations are administered by Aero Canada. They have two key Canadian customers: Air Canada and Aveos Fleet Performance Inc.
9. The assets of the Foreign Debtors are subject to a security interest in favour of a lending syndicate. At this time, it appears that the secured lenders will suffer a significant shortfall.
10. Pursuant to the Foreign Proceedings, and in accordance with paragraph 49(4)(b) of Schedule B1 to the *Insolvency Act 1986*, on or around January 4, 2010, the Foreign Representatives prepared and sent Form 2.17B to all of the Foreign Debtors' worldwide creditors (in excess of 650 trade and secured creditors with total book debts in excess of \$586,000,000) advising that the secured creditors will suffer a significant shortfall and there will be no funds available for distribution to unsecured creditors with the exception of UK statutory priority claims.

11. The Trustee's role is expected to be limited, given the existence of creditors with security over the property and undertakings of the Foreign Debtors and the expectation that such security will extend to any funds generated from an action under section 95 or 96 of the BIA.

TRUSTEE'S STATUTORY REQUIREMENTS

12. Pursuant to various sections of the BIA, as outlined below, the Trustee is required to perform certain statutory duties in its capacity as Trustee including the following:

Notice and First Creditor's Meeting (Section 102):

- (a) **Notice of Bankruptcy and First Meeting of Creditors** – Pursuant to section 102 of the BIA, within 5 days of its appointment the Trustee is required to send a Notice of Bankruptcy and First Meeting of Creditors to every known creditor and the Superintendent and include with the notice a list of creditors and their claims \geq \$25, Proof of Claim and Proxy;
- (b) **Notice of Bankruptcy and First Meeting of Creditors in Local Newspaper** – Pursuant to subsection 102 (4), as soon as possible after the bankruptcy, but not later than 5 days before the first meeting of creditors, the Trustee shall publish notice of the bankruptcy in a local newspaper;:
- (c) **Trustee's Report to Creditors on Preliminary Administration** – Prepare the report on the preliminary administration with the prescribed information, discuss at the first meeting of creditors and provide a copy to the Official Receiver at the first meeting of creditors;
- (d) **Meeting** – Conduct meeting in accordance with BIA requirements;
- (e) **Inspectors** – Inspectors should be appointed to give direction to the Trustee;:
- (f) **Claim/Proxy** – coordinate a claims process and maintain a claims register.

Other:

- (g) Take possession and make inventory pursuant to Section 16 of the BIA;
- (h) Verify bankrupt's statement of affairs pursuant to Section 21 of the BIA;
- (i) Duties regarding returns pursuant to Section 22 of the BIA;
- (j) Insuring property pursuant to Section 24 of the BIA; and
- (k) Reports by Trustee pursuant to Section 27 of the BIA.

13. The Trustee believes that there is no value in incurring the expense (including professional fees) associated with the discharge of these statutory obligations in light of:
- (a) the role of the Foreign Representatives as court officers in the Foreign Proceeding and this Court's recognition of that proceeding under Part IV of the CCAA;
 - (b) the expectation that there are no assets in the estates, and therefore no recoveries to unsecured creditors;
 - (c) the fact that the foregoing information has been previously communicated to all unsecured creditors as described above; and
 - (d) the duplication and potential for confusion among stakeholders in the event that such steps are taken in the circumstances.
14. Similarly, the Trustee believes that there is no value in compelling the Foreign Debtors to satisfy the requirements set out in section 158 of the BIA in circumstances where they are subject to the supervision of the Foreign Proceedings.

TRUSTEE'S ROLE

15. The Trustee will maintain a website to provide information respecting the bankruptcies;
16. The Trustee will cause the Trustee's Letter in the form attached at Appendix C to be delivered by ordinary mail to all known creditors advising as follows:
- (a) Aero Inventory (UK) Limited and Aero Inventory Plc have been assigned into bankruptcy;
 - (b) The Trustee has created a website where any further updates on these proceedings will be available, and where the creditors list and the statement of affairs may be found;
 - (c) No creditors' meeting or claims process will be conducted by the Trustee until further Order of this Court; and
 - (d) The security of the lending syndicate will be reviewed.
17. It is not anticipated that any Inspectors will be appointed in these proceedings. Instead, in order to ensure the coordination of these proceedings with the Foreign Proceedings, the Trustee proposes that the Foreign Representatives shall exercise the oversight functions over the Trustee set out in section 30(1) of the BIA, subject to the review of this Court.

ORDER SOUGHT

18. We respectfully submit this Report to this Honourable Court in support of a motion requesting this Honourable Court to:
- (a) Extend the time periods *nunc pro tunc* for the Trustee to perform its statutory obligations as prescribed by sections 16, 21, 22, 24, 27 and 102 of the *BIA* until further Order of this Court and relieving the Trustee from performing such obligations until such Order;
 - (b) Extend the time periods *nunc pro tunc* for the Foreign Debtors to perform their obligations under section 158 of the *BIA* until further Order of this Court and relieving the Foreign Debtors from performing such obligations until such Order;
 - (c) Authorize the delivery of a notice, by ordinary mail, to the Foreign Debtors' known creditors in the form attached as Appendix C to this Report; and
 - (d) Authorize the Foreign Representatives to provide direction to the Trustee as required, including to direct and supervise the Trustee to pursue a claim under sections 95 and/or 96 of the *BIA*, subject to the review of this Court.
19. KPMG Inc. has prepared this 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 4th 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

TAB A

District of _____
 Division No. _____
 Court No. _____
 Estate No. _____

ASSIGNMENT FOR THE GENERAL BENEFIT OF CREDITORS

This indenture made this 22nd day of January, 2010 between

AERO INVENTORY Plc

Hereinafter called "the debtor"

and

KPMG Inc.

Hereinafter called "the trustee"

WHEREAS the debtor is insolvent and desires to assign and to abandon all its property for distribution among its creditors, in pursuance of the Act.

THIS INDENTURE WITNESSETH that the debtor does hereby assign to the trustee, all its property for the uses, intents and purposes provided by the Act.

SIGNED at the City of London, in the United Kingdom, in the presence of Mark Cook.
 witness

M. N. Cook
 Witness Signature

J. Tucker
 James Robert Tucker of KPMG LLP, a
 Joint Administrator of
 Aero Inventory Plc

22 January 2010
 Date

District of:
Court No. _____
Court No. _____
Estate No. _____

Original Amended

- FORM 78 -
Statement of Affairs (Business Bankruptcy) made by an entity
(Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)
In the matter of the bankruptcy of
Aero Inventory Plc
of the City of London, in the United Kingdom

To the bankrupt

You are required to carefully and accurately complete this Form and the applicable attachments, showing the state of your affairs on the date of your bankruptcy, on the _____ day of _____, _____ . When completed, this Form and the applicable attached lists will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (As stated and estimated by the officer)	ASSETS (As stated and estimated by the officer)
1. Unsecured creditors as per list "A"..... <u>Unknown</u>	1. Inventory <u>0.00</u>
Balance of claims unsecured as per list "A" .. <u>506,255,530.00</u>	2. Trade fixtures, etc. <u>0.00</u>
Total unsecured creditors <u>506,255,530.00</u>	3. Accounts receivable and other receivables, as per List "E"
2. Secured creditors value of security as per list "B" <u>0.00</u>	Good <u>0.00</u>
3. Preferred creditors as per list "C" <u>0.00</u>	Doubtful <u>0.00</u>
4. Contingent, trust claims or other liabilities as per list "D" <u>0.00</u>	Bad <u>0.00</u>
estimated to be reclaimable for <u>0.00</u>	Estimated to produce <u>0.00</u>
Total liabilities <u>506,255,530.00</u>	4. Bills of exchange, promissory note, etc., as per List "F" .. <u>0.00</u>
Surplus <u>NIL</u>	5. Deposits in Financial Institutions <u>0.00</u>
	6. Cash <u>0.00</u>
	7. Livestock <u>0.00</u>
	8. Machinery, equipment and plant <u>0.00</u>
	9. Real property or immovable as per List "G" <u>0.00</u>
	10. Furniture <u>0.00</u>
	11. RRSPs, RRIFs, Life Insurance, etc. <u>0.00</u>
	12. Securities (Shares, Bonds, Debentures, etc.) <u>0.00</u>
	13. Interests under wills <u>0.00</u>
	14. Vehicles <u>0.00</u>
	15. Other property, as per List "H" <u>0.00</u>
	If bankrupt is a corporation, add:
	Amount of subscribed capital <u>0.00</u>
	Amount paid on capital <u>0.00</u>
	Balance subscribed and unpaid <u>0.00</u>
	Estimated to produce <u>0.00</u>
	Total assets <u>0.00</u>
	Deficiency <u>506,255,530.00</u>

I, _____ of _____ in the Province of _____ do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge a full, true and complete statement of my affairs on the 22nd day of January 2010 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

(SWORN OR SOLEMNLY DECLARED)
before me at the City of London in the Province of United Kingdom
on this 22nd day of January 2010.

J. Tucker
James Robert Tucker of KPMG LLP,
a Joint Administrator of
Aero Inventory Plc

The information contained herein is based on Aero Inventory Plc's ("Aero Plc") books and records as at the date of its UK Administration proceedings being November 11, 2009, with the estimated realizations being those of the Directors of Aero Plc, all converted into Canadian dollars at a rate of 1.70652. As a result, the information is identical to that previously provided to Aero Plc creditors by JR Tucker as Joint Administrator of Aero Plc in its mailing dated January 4, 2010.

District of
Division No.
Court No.
Estate No.

- FORM 78 - Continued -

List 'A'
Unsecured Creditors
Aero Inventory Plc

No.	Name of creditor	Address	Unsecured Claim	Balance of Claim Un	Total Claim
1	Lloyds TSB Commercial Finance Limited	The Little Green Boston House Richmond, Surrey	0.00	506,255,530.00	506,255,530.00
2	Unsecured creditors		Unknown	0.00	Unknown
Total			0.00	506,255,530.00	506,255,530.00

22-Jan-2010

Date

**James Robert Tucker of KPMG LLP,
a Joint Administrator of
Aero Inventory Plc**

District of
Division No.
Court No.
Estate No.

- FORM 78 - Continued -

List "B"
Secured Creditors

Aero Inventory Plc

No.	Name of creditor	Address	Amount of Claim	Particulars of Security	When given	Estimated value of security	Estimated surplus from security	Balance of claim unsecured
1	Lloyds TSB Commercial Finance Limited	The Little Green Boston House Richmond, Surrey	506,255,530.00	Securities - Shares - Investment in Subsidiary		0.00		506,255,530.00
Total:			506,255,530.00			0.00	0.00	506,255,530.00

22-Jan-2010

Date

J. Tucker

 James Robert Tucker of KPMG LLP,
 a Joint Administrator of
 Aero Inventory Plc

District of
Division No.
Court No.
Estate No.

- FORM 78 - Concluded -

List "H"
Property

Aero Inventory Plc

FULL STATEMENT OF PROPERTY -

Nature of Property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade			0.00	0.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in Financial Institution			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities		Shares - Investment in Subsidiary	44,370.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
			Total:	0.00

22-Jan-2010

Date

J. Tucker
 James Robert Tucker of KPMG LLP,
 a Joint Administrator of
 Aero Inventory Plc

Court No.

File No.

In the matter of the bankruptcy of
Aero Inventory Plc
of the City of London, in the United Kingdom

Form 78 (Bill C-12)
Statement of affairs (Business bankruptcy)

KPMG Inc. - Trustee

Box 976
Hamilton ON L8N 3R1
Phone: (905) 523-2261 Fax: (905) 523-2200

District of _____
Division No. _____
Court No. _____
Estate No. _____

ASSIGNMENT FOR THE GENERAL BENEFIT OF CREDITORS

This indenture made this 22nd day of January, 2010 between

AERO INVENTORY (UK) LIMITED

Hereinafter called "the debtor"

and

KPMG Inc.

Hereinafter called "the trustee"

WHEREAS the debtor is insolvent and desires to assign and to abandon all its property for distribution among its creditors, in pursuance of the Act.

THIS INDENTURE WITNESSETH that the debtor does hereby assign to the trustee, all its property for the uses, intents and purposes provided by the Act.

SIGNED at the City of London, in the United Kingdom, in the presence of Mark Cook witness

M. D. Cook
Witness Signature

J. Tucker
James Robert Tucker of KPMG LLP, a
Joint Administrator of
Aero Inventory (UK) Limited

22 January 2010
Date

District of:
Court No.
Court No.
Estate No.

[X] Original [] Amended

- FORM 78 -
Statement of Affairs (Business Bankruptcy) made by an entity
(Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)
In the matter of the bankruptcy of
Aero Inventory (UK) Limited
of the City of London, in the United Kingdom

To the bankrupt

You are required to carefully and accurately complete this Form and the applicable attachments, showing the state of your affairs on the date of your bankruptcy, on the _____ day of _____ When completed, this Form and the applicable attached lists will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES
(As stated and estimated by the officer)
1. Unsecured creditors as per list "A"..... 78,750,439.00
Balance of claims unsecured as per list "A" .. 250,255,132.00
Total unsecured creditors 329,005,571.00
2. Secured creditors value of security as per list "B" 257,479,903.00
3. Preferred creditors as per list "C" 0.00
4. Contingent, trust claims or other liabilities as per list "D" estimated to be reclaimable for 0.00
Total liabilities 586,485,474.00
Surplus NIL

ASSETS
(As stated and estimated by the officer)
1. Inventory 251,913,368.00
2. Trade fixtures, etc. 0.00
3. Accounts receivable and other receivables, as per List "E"
Good 5,481,209.00
Doubtful 0.00
Bad 5,529,722.00
Estimated to produce 5,481,209.00
4. Bills of exchange, promissory notes, etc., as per List "F" .. 0.00
5. Deposits in Financial Institutions 0.00
6. Cash 0.00
7. Livestock 0.00
8. Machinery, equipment and plant 0.00
9. Real property or immovable as per List "G" 0.00
10. Furniture 85,326.00
11. RRSPs, RRIFs, Life insurance, etc. 0.00
12. Securities (Shares, Bonds, Debentures, etc.) 0.00
13. Interests under wills 0.00
14. Vehicles 0.00
15. Other property, as per List "H" 0.00
If bankrupt is a corporation, add
Amount of subscribed capital 0.00
Amount paid on capital 0.00
Balance subscribed and unpaid 0.00
Estimated to produce 0.00
Total assets 257,479,903.00
Deficiency 329,005,571.00

I, of the _____ of _____ in the Province of _____ do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge a full, true and complete statement of my affairs on the 22nd day of January 2010 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
before me at the City of London in the Province of United Kingdom
on this 22nd day of January 2010.

James Robert Tucker of KPMG LLP,
a Joint Administrator of
Aero Inventory (UK) Limited

The information contained herein is based on Aero Inventory (UK) Limited's ("Aero UK") books and records as at the date of its UK Administration proceedings being November 11, 2009, with the estimated realizations being those of the Directors of Aero UK all converted into Canadian dollars at a rate of 1.70652. As a result, the information is identical to that previously provided to Aero UK creditors by JR Tucker as Joint Administrator of Aero UK in its mailing dated January 4, 2010.

District of
Division No.
Court No.
Estate No.

- FORM 78 - Continued -

List "A"
Unsecured Creditors
Aero Inventory (UK) Limited

No.	Name of creditor	Address	Unsecured Claim	Balance of Claim Un	Total Claim
1	Creditors-(trade) - see attached list		78,750,439.00	0.00	78,750,439.00
2	Lloyds TSB Commercial Finance Limited		0.00	250,255,132.00	250,255,132.00
Total			78,750,439.00	250,255,132.00	329,005,571.00

22-Jan-2010

Date

James Robert Tucker of KPMG LLP,
a Joint Administrator of
Aero Inventory (UK) Limited

District of
Division No.
Court No.
Estate No.

- FORM 78 - Continued -

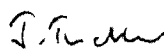
List "B"
Secured Creditors

Aero Inventory (UK) Limited

No.	Name of creditor	Address	Amount of Claim	Particulars of Security	When given	Estimated value of security	Estimated surplus from security	Balance of claim unsecured
1	Creditors - Employee super priority claim pursuant to UK Legislation		455,593.00	Debts Due - Business - Trade Accounts Receivables		455,593.00		
2	Creditors - Trade super priority claim pursuant to UK Legislation		1,023,912.00	Debts Due - Business - Trade Accounts Receivables		1,023,912.00		
3	Lloyds TSB Commercial Finance Limited		506,255,530.00	Business Assets - Stock in Trade - Inventory Furniture Debts Due - Business - Trade Accounts Receivables		51,913,368.00 85,326.00 4,001,704.00		250,255,132.00
Total			507,735,035.00			57,478,983.00	0.00	250,255,132.00

22-Jan-2010

Date



**James Robert Tucker of KPMG LLP,
a Joint Administrator of
Aero Inventory (UK) Limited**

District of
Division No.
Court No.
Estate No.

- FORM 78 - Continued -

List 'E'
Debts Due to the Bankrupt
Aero Inventory (UK) Limited

No.	Name of debtor	Address and Occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	Trade Accounts Receivables			5,481,209.00 0.00 5,529,722.00			5,481,209.00	
Total:				5,481,209.00 0.00 5,529,722.00			5,481,209.00	

22-Jan-2010

Date

James Robert Tucker of KPMG LLP,
a Joint Administrator of
Aero Inventory (UK) Limited

District of
Division No. -
Court No.
Estate No.

- FORM 78 - Concluded -

List "H"
Property

Aero Inventory (UK) Limited
FULL STATEMENT OF PROPERTY

Nature of Property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	588,444,402.00	251,913,368.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in Financial Institution			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			1,430,168.00	85,326.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Prepayments and debts	17,181,655.00	0.00
		Intangible assets	39,610,131.00	0.00
Total				251,998,694.00

22-Jan-2010

Date

James Robert Tucker of KPMG LLP,
a Joint Administrator of
Aero Inventory (UK) Limited

Court No.

File No.

In the matter of the bankruptcy of
Aero Inventory (UK) Limited
of the City of London, in the United Kingdom

Form 78 (Bill C-12)
Statement of affairs (Business bankruptcy)

KPMG Inc. - Trustee

Box 976
Hamilton ON L8N 3R1
Phone: (905) 523-2261 Fax: (905) 523-2200

TAB B



Office of the Superintendent
of Bankruptcy Canada

Bureau du surintendant
des faillites Canada

An Agency of
Industry Canada

Un organisme
d'Industrie Canada

District of ONTARIO
Division No. 09 - Toronto
Court No. 31-456351
Estate No. 31-456351

In the Matter of the Bankruptcy of:
AERO INVENTORY (UK) LIMITED
Debtor

KPMG INC.
Trustee

ORDINARY ADMINISTRATION

Security: \$0

Date and Time of Bankruptcy: January 22, 2010, 16:15

Date of Trustee Appointment: January 22, 2010

Meeting of Creditors: February 11, 2010, 10:00
KPMG INC.
333 BAY STREET, SUITE 4600, 46TH FLOOR
TORONTO, ONTARIO

Chair: Trustee

CERTIFICATE OF APPOINTMENT Section 49; Rule 85

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify, that:

- the aforementioned debtor filed an assignment under section 49 of the Bankruptcy and Insolvency Act;
- the aforementioned trustee was duly appointed Trustee of the Estate of the Debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable to call in the prescribed manner, a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the Official Receiver.

for Karen Rock
KAREN ROCK

Official Receiver

25 St. Clair Avenue East, 6th floor, Toronto, ONTARIO, M4T 1M2, 416/973-6486



Office of the Superintendent
of Bankruptcy Canada

Bureau du surintendant
des faillites Canada

An Agency of
Industry Canada

Un organisme
d'Industria Canada

District of ONTARIO
Division No. 09 - Toronto
Court No. 31-456352
Estate No. 31-456352

In the Matter of the Bankruptcy of:
AERO INVENTORY PLC
Debtor

KPMG INC.
Trustee

ORDINARY ADMINISTRATION

Security: \$0

Date and Time of Bankruptcy: January 22, 2010, 16:18
Date of Trustee Appointment: January 22, 2010
Meeting of Creditors: February 11, 2010, 11:00
KPMG INC.
333 BAY STREET, SUITE 4600, 46TH FLOOR
TORONTO, ONTARIO

Chair: Trustee


CERTIFICATE OF APPOINTMENT Section 49; Rule 85

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify, that:

- the aforementioned debtor filed an assignment under section 49 of the Bankruptcy and Insolvency Act;
- the aforementioned trustee was duly appointed Trustee of the Estate of the Debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable to call in the prescribed manner, a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the Official Receiver.


KAREN ROCK

Official Receiver

25 St. Clair Avenue East, 6th floor, Toronto, ONTARIO, M4T 1M2, 416/973-6486

TAB C



KPMG Inc.
 Bay Adelaide Centre
 333 Bay Street Suite 4600
 Toronto ON M5H 2S5
 Canada

Telephone (416) 777-8500
 Fax (416) 777-3364
 Internet www.kpmg.ca

VIA ORDINARY MAIL

To Whom It May Concern:

February 4, 2010

Dear Sirs/Mesdames:

Re: Aero Inventory (UK) Limited and Aero Inventory Plc

We are writing to you in our capacity as Trustee in Bankruptcy of Aero Inventory (UK) Limited and Aero Inventory Plc.

Background

Aero Inventory (UK) Limited (in administration) and Aero Inventory plc (in administration) (collectively, the "Foreign Debtors") and their various affiliates form an integrated and interdependent group of companies that supply parts to the airline industry. The Foreign Debtors became unable to pay their debts as they became due and certain lenders made demands for repayment of loans. On November 11, 2009, administration proceedings (collectively, the "Foreign Proceedings") were commenced in respect of each of the Foreign Debtors in the High Court of Justice of England and Wales (Chancery Division, Companies Court) (the "English Court"). Pursuant to orders issued by the English Court in the Foreign Proceedings, James Robert Tucker, Richard Heis and Allan Watson Graham of KPMG LLP (collectively, the "Foreign Representatives") were appointed as joint administrators of the affairs, business and property of the Foreign Debtors.

Pursuant to the Foreign Proceedings, and in accordance with paragraph 49(4)(b) of Schedule B1 to the Insolvency Act 1986, on or around January 4, 2010, the Foreign Representatives prepared and sent Form 2.17B to all of the Foreign Debtors' known creditors worldwide advising that the secured creditors will suffer a significant shortfall and there will be no funds available for distribution to unsecured creditors with the exception of certain UK statutory priority claims.

Trustee's Appointment

On Friday January 22, 2010, the Foreign Representatives assigned the Foreign Debtors into bankruptcy, pursuant to the *Bankruptcy and Insolvency Act* ("BIA") of Canada, and KPMG Inc. was named as the Trustee in Bankruptcy (the "Trustee").



Page 2

The purpose of the bankruptcies was to preserve the rights of a trustee in bankruptcy to pursue any reviewable transactions, settlements and preferences or conveyances under value which may have taken place in Canada during the statutory time period prescribed by the BIA. The assets of the Foreign Debtors are subject to a security interest in favour of a lending syndicate and therefore it is expected that the Trustee's role will be limited.

Accordingly, the Trustee is writing to all known creditors of the Foreign Debtors to advise as follows:

- (a) Aero Inventory (UK) Limited and Aero Inventory Plc have been assigned into bankruptcy;
- (b) The Trustee has created a website www.kpmg.ca/en/ms/cl/aeroinventory where any further updates on these proceedings will be available, and where a copy of the assignments in bankruptcy, the statement of affairs and the creditors list may be found;
- (c) No creditors' meeting or claims process will be conducted by the Trustee until further Order of the Ontario Superior Court of Justice; and
- (d) The security of the lending syndicate will be reviewed and the results thereof will be posted on the Trustee's website.

Please contact the undersigned via e-mail at nbrearton@kpmg.ca if you have any questions.

Yours truly,

KPMG INC.

in its capacity as Trustee of the Bankrupt Estates of
Aero Inventory (UK) Limited and Aero Inventory Plc
and not in its personal capacity

Per: Nicholas Brearton
Senior Vice-President

TAB 3

Court File No. 09-CL-8456-OOCL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE 10TH
JUSTICE)
) DAY OF FEBRUARY, 2010

**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**

O R D E R

THIS MOTION, made by the Applicants for an Order pursuant to section 49 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36. as amended, and sub-sections 187(11) and (12) of the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985. c. B-3 as amended (the "BIA"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the report of KPMG Inc, in its capacity as Information Officer and trustee in bankruptcy (the "Trustee") of the respondents Aero Inventory (UK) Limited and Aero Inventory Plc (collectively, the "Foreign Debtors") dated February 4, 2010 and on hearing the submissions of counsel for the Applicants, no one appearing for any other party although duly served as appears from the affidavit of service of Mansoor Khalifa sworn February 4, 2010,

1. **THIS COURT ORDERS** that the time for service of the Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
 2. **THIS COURT ORDERS** that the time periods for the Trustee to perform its statutory obligations prescribed by Sections 16, 21, 22, 24, 27 (save for such reports as may be required pursuant to subsection 27(c)) and 102 of the BIA are hereby extended *nunc pro tunc* until further Order of this Honourable Court, and until such Order is made, the Trustee shall be relieved from performing any such obligations.
 3. **THIS COURT ORDERS** that the time periods for the Foreign Debtors to perform their obligations pursuant to Section 158 of the BIA shall be extended *nunc pro tunc* until further Order of this Honourable Court, and until such Order is made, the Foreign Debtors shall be relieved from performing any such obligations.
 4. **THIS COURT ORDERS** that the Trustee is hereby authorized and directed to cause to be delivered by regular mail to all known creditors of the Foreign Debtors a notice in the form of Schedule "A" attached hereto, and the form of such notice is hereby approved.
 5. **THIS COURT ORDERS** that the Foreign Representatives, recognized by Order of this Court dated November 11, 2009, shall be authorized to provide direction to the Trustee as required, including the authority to direct and supervise the Trustee to pursue a claim under sections 95 and 96 of the BIA, subject to the review of this Court at the instance of the Trustee or any interested party.
-

SCHEDULE "A"
FORM OF NOTICE TO CREDITORS



KPMG Inc.
 Bay Adelaide Centre
 333 Bay Street Suite 4600
 Toronto ON M5H 2S5
 Canada

Telephone: (416) 777-8500
 Fax: (416) 777-3364
 Internet: www.kpmg.ca

VIA ORDINARY MAIL

To Whom It May Concern:

February 4, 2010

Dear Sirs/Mesdames:

Re: Aero Inventory (UK) Limited and Aero Inventory Plc

We are writing to you in our capacity as Trustee in Bankruptcy of Aero Inventory (UK) Limited and Aero Inventory Plc.

Background

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Page 2

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Accordingly, the Trustee is writing to all known creditors of the Foreign Debtors to advise as follows:

- (a) Aero Inventory (UK) Limited and Aero Inventory Plc have been assigned into bankruptcy;
- (b) The Trustee has created a website www.kpmg.ca/en/ms/cl/aeroinventory where any further updates on these proceedings will be available, and where a copy of the assignments in bankruptcy, the statement of affairs and the creditors list may be found;
- (c) No creditors' meeting or claims process will be conducted by the Trustee until further Order of the Ontario Superior Court of Justice; and
- (d) The security of the lending syndicate will be reviewed and the results thereof will be posted on the Trustee's website.

Please contact the undersigned via e-mail at nbrearton@kpmg.ca if you have any questions.

Yours truly,

KPMG INC.

in its capacity as Trustee of the Bankrupt Estates of
Aero Inventory (UK) Limited and Aero Inventory Plc
and not in its personal capacity

Per: Nicholas Brearton
Senior Vice-President

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

Ogilvy Renault LLP
Suite 3800
Royal Bank Plaza, South Tower
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4

Orestes Pasparakis LSUC#: 36851T
Tel: (416) 216-4815
Fax: (416) 216-3930

Susan Rothfels LSUC#: 39638K
Tel: (416) 216-4033
Fax: (416) 216-3930

Canadian Counsel to the Applicants

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 AS JOINT ADMINISTRATORS

AND IN THE MATTER OF AERO INVENTORY (UK) LIMITED AND AERO INVENTORY PLC

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**MOTION RECORD
(Motion returnable February 10, 2010)**

Ogilvy Renault LLP
Suite 3800
Royal Bank Plaza, South Tower
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4

Orestes Pasparakis LSUC #: 36851T
Tel: (416) 216-4815

Susan Rothfels LSUC#: 39638K
Tel: (416) 216-4033
Fax: (416) 216-3930

Lawyers for the Applicants