

CANADA
PROVINCE OF QUEBEC
DISTRICT OF BEDFORD

SUPERIOR COURT
COMMERCIAL DIVISION
(Sitting as a court designated pursuant to the
Companies Creditors Arrangement Act)

N°: 460-11-001918-104

**IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF:**

AAER INC.

and

AAER USA INC.

and

WIND-SMART LLC

Debtors/Petitioners

and

SAMSON BÉLAIR / DELOITTE & TOUCHE INC.

Monitor

**MOTION FOR A THIRD EXTENSION OF THE INITIAL ORDER AND
FOR POSPONEMENT OF THE ANNUAL MEETING OF SHAREHOLDERS**
(Sections 9, 11 and 11.02 of the *Companies' Creditors Arrangement Act* ("CCAA"))

**TO THE HONOURABLE GAÉTAN DUMAS, J.S.C., THE PETITIONERS
RESPECTFULLY SUBMIT AS FOLLOWS:**

I. PROCEEDINGS TO DATE

1. On April 8, 2010, this Court issued an order (the "**Initial Order**") pursuant to section 11.02 of the CCAA in respect of the Petitioners, AAER Inc., AAER USA Inc. and Wind Smart LLC (collectively, "**AAER**" or the "**Petitioners**"), which Initial Order, *inter alia*:
 - (a) declared that the Petitioners are debtor companies to which the CCAA applies;

- (b) ordered an initial stay of proceedings in respect of the Petitioners up to and including May 7, 2010 (the "**Stay Period**");
 - (c) authorized the Petitioners to carry on business in a manner consistent with the preservation of their property and to make certain payments in connection with their respective businesses;
 - (d) appointed Samson Bélair / Deloitte & Touche Inc. as monitor (the "**Monitor**");
 - (e) authorized certain measures in order to enhance the prospects of a viable compromise or arrangement between the Petitioners and their creditors, including an interim financing and a investment or purchase offers' solicitation process (the "**Solicitation Process**"); and
 - (f) authorized the Petitioners to file with the court a plan or plans of compromise or arrangement between the Petitioners and some or all of their respective creditors (the "**Plan**");
- the whole as appears from the Court record.
2. On May 7, 2010, this Court issued an order extending the Stay Period up to and including June 2, 2010, and providing for the procedural matters relating to the claims process and the eventual creditors' meeting to vote on the Plan, as the case may be, as appears from the Court record.
 3. On June 2, 2010, this Court issued an order authorizing two transactions resulting in the sale of the majority of AAER Inc.'s assets, except its cash on hand and accounts receivable, respectively (i) to Pioneer Power Solutions Inc., or one or more of its subsidiaries, affiliates or related entities, namely 7525451 Canada Inc. ("**Pioneer**") and (ii) to Global Casting Inc. ("**Global**") (collectively, the "**Transactions**") and extending the Stay Period for a period of five (5) days, up to and including June 7, 2010 (the "**Transactions' Approval and Second Extension Order**").

II. PURPOSE OF THE MOTION

4. AAER hereby respectfully requests this honourable Court to:
 - (a) extend the Stay Period for a period of 30 days, up to and including July 7, 2010; and
 - (b) relieve AAER Inc. from its obligation to call and hold the annual meeting of shareholders on or before June 30, 2010 and postpone the annual meeting of shareholders, as the case may be, to September 30, 2010.

III. DEVELOPMENTS SINCE THE TRANSACTIONS' APPROVAL AND SECOND EXTENSION ORDER

A. CLOSING OF THE TRANSACTIONS

5. After the Transactions' Approval and Second Extension Order rendered in the afternoon of June 2, 2010, AAER Inc. pursued its efforts in order to complete the Transactions approved by this Court.

i) Global Transaction

6. On June 4, 2010, after having compiled all documentation relating to the rights of AAER Inc., if any, in the assets being part of Lot number 4 (prepaid expenses and deposits on inventory) of the Information Memorandum filed as Exhibit R-1 in support of the motion for the Transactions' Approval and Second Extension Orders (the "**Information Memorandum**"), AAER Inc. and Global completed the "Global Transaction" (as defined in the motion for the Transactions' Approval and Second Extension Order).

7. Global remitted a certified cheque for an amount of \$316,050, representing the purchase price envisaged by the Global Transaction (\$280,000) approved by this Court plus the applicable sales taxes, to the Monitor and the Monitor signed the certificate referred to as the "Global Certificate" in the motion for the Transactions' Approval and Second Extension Order.

ii) Pioneer Transaction

8. Between June 2 and June 7, 2010, AAER Inc. collaborated with Pioneer in order to comply with its requests in order to complete the "Pioneer Transaction" (as defined in the motion for the Transactions' Approval and Second Extension Order) for the sale of lots number 2 (Inventory), 3 (Capital Assets) and 5 (Intangible Assets) of the Information Memorandum, as well as all of AAER Inc.'s intellectual property.

9. On June 4, 2010, AAER Inc. terminated the employment of its remaining employees, including its officers, and will have no payroll obligations during the period of the proposed extension.

10. The closing conditions are being met and the Pioneer Transaction is expected to close on June 7, 2010 at around 11 AM, when it is expected that:

- (a) the parties will sign the necessary closing documents;
- (b) Pioneer will remit a certified cheque or proceed to a wire transfer for an amount of \$450,000 (representing the purchase price envisaged by the Pioneer Transaction approved by this Court), to the Monitor;
- (c) Pioneer will remit a certified cheque or proceed to a wire transfer for an amount of \$150,000 to Propriétés Olymbec Enr. ("**Olymbec**"), the lessor of

AAER Inc.'s premises in Bromont, Quebec (the "**Location**") and will remit a post-dated cheque for an amount of \$75,000 to Olymbec, the whole pursuant to the "Olymbec Agreement" filed as Exhibit R-4 of in support of the motion for the Transactions' Approval and Second Extension Order providing for the occupation of the Location by Pioneer for a period of three months following the closing of the Pioneer Transaction (the "**Olymbec Agreement**"); and

- (d) the Monitor will sign the certificate referred to as the "Pioneer Certificate" in the motion for the Transactions' Approval and Second Extension Order.

B. THE POTENTIAL INTEREST OF PIONEER IN SPONSORING A PLAN

- 11. On Friday, June 4, 2010, Pioneer expressed its potential interest, without any firm undertaking and as an exploratory alternative only, to sponsor an eventual Plan of AAER.
- 12. Pioneer notably wishes to study AAER's fiscal situation, at its own cost, before making a decision to sponsor an eventual Plan of AAER, which would permit the continuation of AAER.
- 13. Pioneer estimates that it will need approximately 30 days to do such analysis and make a decision to sponsor a Plan of AAER or not.
- 14. In order to permit the completion of such analysis by Pioneer and, as the case may be, the filing of a Plan of AAER sponsored by Pioneer, AAER hereby respectfully requests an extension of the Stay Period (as extended) for a period of thirty (30) days, up to and including July 7, 2010.
- 15. On or around June 7, 2010, Pioneer will pay \$30,000 to AAER to cover the sole incremental costs of AAER relating to the extension sought, namely the professional fees.
- 16. During the extension period, any former AAER Inc.'s employee that would be re-hired by Pioneer would be at the charge of the latter and, pursuant to the Olymbec Agreement, Pioneer will assume the occupation rent of the Location after the closing of the Pioneer Transaction expected on June 7, 2010 and during the proposed extension.

IV. EXTENSION

- 17. The Second Extension expires on June 7, 2010.
- 18. In light of the elements described above, the Petitioners respectfully request an extension of the Stay Period (as extended) for a period of thirty (30) days, up to and including July 7, 2010.

19. The Petitioners, in collaboration with the Monitor, prepared the cash flow forecasts for the period of June 6, 2010 to July 10, 2010 (the "**Cash Flow**"), which cash flow will form part of the Monitor's Report in support of the present motion.
20. As it will be appearing from the Cash Flow and likely be confirmed by the Monitor's Report, AAER has sufficient capital to maintain its operations for the requested extension period.
21. As described above, the injection of \$30,000 by Pioneer are expected to cover the sole incremental costs of AAER in light of the extension sought, namely the professional fees, and all other costs as the case may be would be assumed by Pioneer.
22. In these circumstances, AAER believes that the requested extension will not cause material prejudice to its creditors, and will in fact be beneficial to them as it may allow the filing of Plan, in their interest.
23. AAER has acted and is acting in good faith and with due diligence.
24. In light of the above, the Petitioners therefore respectfully request that the Stay Period be extended for a period of 30 days, up to and including July 7, 2010, being understood that, as per the Transactions' Approval and Second Extension Order, Finloc Inc., the DIP Lender ("*Prêteur temporaire*" as defined in the Initial Order), shall not be affected by the stay of Proceedings during the Stay Period.

V. POSTPONEMENT OF ANNUAL MEETING OF AAER INC.'S SHAREHOLDERS

25. AAER Inc. is a company incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended ("**CBCA**") and, pursuant to section 133(1) of the CBCA, it is required to call its next annual meeting of shareholders (the "**Annual Meeting**") no later than June 30, 2010, being six months after the end of its preceding financial year which ended on December 31, 2009.
26. Since April 8, 2010 AAER Inc. has been devoting devoting its efforts on the CCAA proceedings with a view to optimize the interest of all of its stakeholders, and continues to do so.
27. Preparing and holding an Annual Meeting would divert the attention of AAER Inc.'s senior management away from such tasks, would require significant financial resources and liquidities (which AAER Inc. does not have) and would impede AAER Inc.'s ability to achieve its restructuring under the CCAA.
28. Under these circumstances it is impracticable for AAER Inc. to prepare and hold an Annual Meeting during its CCAA proceedings and, pursuant to section 133(3) of the CBCA, this Court has the authority to extend the time for calling the Annual Meeting.

29. Information is and will continue to be available to the public through the Monitor's website, which is easily accessible.
30. On May 7, 2010, AAER Inc. announced in a press release that in the event where any additional protection extension under the CCAA would sought, it was its intention to request that the court relieve it of any obligation to call and hold the Annual Meeting on or before June 30, 2010 and to extend the delay for the calling and holding of such meeting, as appears from a copy of the press release dated May 7, 2010 filed herewith as **Exhibit R-1**.
31. As indicated in the press release dated May 7, 2010 (R-1), AAER Inc.'s securities are subject to a cease trade order issued by the securities regulatory authorities on May 4, 2010.
32. Under these circumstances, and in light of the insolvency of AAER Inc.'s resulting in the lack of an economic interest of AAER Inc.'s shareholders in AAER Inc. without the payment in full of all claims that are not "equity claims" (as defined by the CCAA) by AAER Inc., which is highly unlikely, AAER Inc. respectfully requests this Court to extend the time for holding the Annual Meeting, as the case may be, to September 30, 2010.

VI. GENERAL

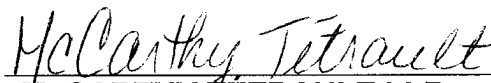
33. The Petitioners have acted, and continue to act, in good faith and with due diligence.
34. The conclusions sought herein are urgent and necessary and the nature of such conclusions justifies that the order sought hereby be subject to provisional execution notwithstanding any appeal and without the necessity of furnishing any security.
35. The Petitioners request that all notices or delays of presentation be abridged.
36. The present motion is well founded in fact and in law.

WHEREFORE MAY IT PLEASE THIS HONOURABLE COURT TO:

1. **GRANT** the present Motion for a Third Extension of the Initial Order and for Postponement of the Annual Meeting of Shareholders (the "**Motion**");
2. **DECLARE** that the time for service of the Motion is hereby abridged such that the Motion is properly presentable;
3. **DECLARE** that the service of the Motion constitutes good and sufficient service on all persons and further **DECLARE** that the Petitioners are relieved of any other requirements for service of the Motion;
4. **ORDER** that the Stay Period ("*Période de suspension*" as defined in the Initial Order), as subsequently extended by this Court, shall be extended for a period of thirty (30) days, up to and including July 7, 2010;

5. **DECLARE** that the Initial Order shall be otherwise unchanged, except to expressly provide that the Finloc Inc., the DIP Lender ("*Prêteur temporaire*" as defined in the Initial Order), shall not be affected by the stay of Proceedings during the Stay Period;
6. **ORDER** that AAER Inc. be and is hereby relieved of any obligation to call and hold an annual meeting of shareholders on or before June 30, 2010, and that AAER Inc. be directed to hold such a meeting, as the case may be, by September 30, 2010;
7. **REQUEST** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province or any court or any judicial, regulatory or administrative body of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order;
8. **ORDER** the provisional execution of the Order notwithstanding any appeal and without the necessity of furnishing any security;
9. **THE WHOLE** without costs, save and except in case of contestation.

MONTREAL, June 7, 2010



McCARTHY TÉTRAULT LLP
Attorneys for the Petitioners, AAER Inc.,
AAER USA Inc. and Wind-Smart LLC

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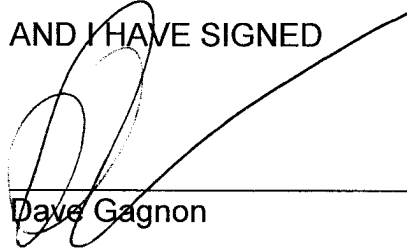
AFFIDAVIT

I, the undersigned, **Dave Gagnon**, director of AAER Inc., AAER USA Inc. and Wind-Smart LLC, having a place of business at 80, de l'Aéroport Blvd., à Bromont, province of Quebec, J2L 1S9, solemnly declare the following:

1. I am a duly authorized representative of AAER Inc. and of its subsidiaries for the purposes hereof;

2. All the facts alleged in the *Motion for a Third Extension of the Initial Order and for Postponement of the Annual Meeting of Shareholders* are true.

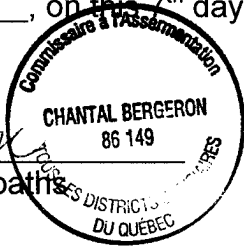
AND I HAVE SIGNED



Dave Gagnon

Solemnly declared before me in
Montreal, on this 7th day of June 2010


Commissioner of oaths



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NOTICE OF PRESENTATION

TO : M. Jean-François Nadon
SAMSON BÉLAIR /DELOITTE TOUCHE INC.
1, Place-Ville-Marie, bureau 3000
Montréal, QC H3B 5K1
Monitor

Me Luc Béliveau
FASKEN MARTINEAU DUMOULIN S.E.N.C.R.L., S.R.L.
C.P. 242, Tour de la Bourse
800, Place Victoria, bureau 3700
Montréal, QC H4Z 1E9
Attorneys for the Monitor

Me Marc Germain
STEIN MONAST S.E.N.C.R.L.
70, rue Dalhousie, bureau 300
Québec, QC G1K 4B2
Attorneys for Finloc Inc.

Me Serge Bourque
LAVERY de BILLY
1, Place-Ville-Marie, bureau 4000
Montréal, QC H3B 4M4
Attorneys for the directors

Me Alain Gaul and Me Christian Lachance
Davies Ward Phillips & Vineberg s.e.n.c.r.l, s.r.l
1501 avenue McGill Collège
26e étage
Montréal QC H3A 3N9
Attorneys for Propriétés Olymbec Enr.

Me Sylvain Deslauriers
Deslauriers Jeansonne S.E.N.C.
Gare Windsor
1100, rue de La Gauchetière Ouest, bureau 700
Montréal, Qc H3B 2S2
Attorneys for Finexcorp Inc.

Me Louis Dumont
FRASER MILNER CASGRAIN s.r.l.
1, Place Ville-Marie
Suite 3900
Montréal, QC H3B 4M7

Attorneys for Pioneer Power Solutions Inc.

Me William Noonan
Hickson Noonan
1170, Grande-Allée Ouest
Québec (Québec) G1S 1E5

Attorneys for Global Casting Inc.

Benoit Deslauriers et Catherine Guillot
Investissement Québec

TAKE NOTICE that the *Motion for a Third Extension of the Initial Order and for Postponement of the Annual Meeting of Shareholders* will be presented before the Honourable Gaétan Dumas, J.S.C., sitting as a judge designated pursuant to the *Companies Creditors Arrangement Act* at a place and time to be determined on June 7, 2010.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, June 7, 2010



McCARTHY TETRAULT LLP

Attorneys for the Petitioners, AAER Inc.,
AAER USA Inc. and Wind-Smart LLC.

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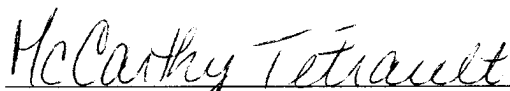
Monitor

LIST OF EXHIBIT

**(Motion for a Third Extension of the Initial Order and for
Posponement of the Annual Meeting of Shareholders)**

Exhibit R-1: Press Release dated May 7, 2010

MONTREAL, June 7, 2010



McCARTHY TETRAULT LLP

Attorneys for the Petitioners, AAER Inc.,
AAER USA Inc. and Wind-Smart LLC



**FOR IMMEDIATE DISTRIBUTION
PRESS RELEASE**

AAER OBTAINS EXTENSION OF STAY PERIOD UNDER CCAA

Bromont, Québec, May 7, 2010 – AAER Inc. (TSXV: AAE) announced today that the Quebec Superior Court issued an order providing AAER with an additional period of protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA"). The initial order, which was first granted under the CCAA in favour of AAER on April 8, 2010, has now been extended until June 2, 2010, during which time creditors and other third parties will continue to be stayed from taking steps against AAER. The purpose of the stay of proceedings is to provide AAER with an opportunity to develop a comprehensive business restructuring plan for consideration by its creditors and the Quebec Superior Court.

AAER has also obtained a procedural order relating to its process for the determination of the claims of creditors and for the upcoming creditors' meeting. According to the order, the claims bar date has been set to May 31, 2010 and the creditors' meeting date has been set to June 1st, 2010.

In the event any additional protection extension under the CCAA is sought, it is AAER's intention to request that the court relieve AAER of any obligation to call and hold an annual meeting of shareholders on or before June 30, 2010 and extend the delay for the calling and holding of such meeting.

The documentation and information on AAER's restructuring process are available on the monitor dedicated website at www.deloitte.com/ca/aaer.

Finally, AAER wishes to inform its shareholders that, further to its press release dated April 23, 2010, AAER's securities are now subject to a cease trade order issued by the securities regulatory authorities on May 4, 2010. The trading in AAER's securities will resume if and when AAER files its annual financial statements and underlying financial documentation in accordance with applicable securities laws.

About AAER Inc.

AAER is a wind turbine manufacturer located in Bromont, Quebec that manufactures and maintains high capacity 1 MW or more wind turbines principally for the North American market. Its strategy is to progressively build its products' components to provide a high level of reliability and competitive pricing to its customers. AAER uses a portfolio of proven European technologies to ensure the performance of its turbines in various wind conditions

and terrains. Its stock is listed on the TSX Venture Exchange (TSXV: AAE). Additional information is available on AAER's website at www.aaer.ca.

Forward-Looking Statements

This news release contains certain forward-looking statements or forward looking-information. These forward looking statements are subject to a variety of risks and uncertainties beyond AAER's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward looking statements. Such risks and uncertainties are disclosed under the heading "Risk Factors" in AAER's amended and restated preliminary prospectus dated February 25, 2010 and the annual information form for the year ended December 31, 2008 and dated March 26, 2009. Further, forward-looking information is in addition based on various assumptions, including, without limitation, assumptions about: (i) general business and economic conditions; (ii) selection of AAER's client bids in different requests for proposals; (iii) the availability of financing on reasonable terms; (iv) the availability of key components for the assembly of wind turbines, (v) the costs of raw materials and parts; (vi) AAER's ability to attract and retain skilled staff; (vii) market competition; (viii) the technology offered by AAER's competitors; (ix) AAER's ability to meet contractual obligations and delivery dates; and (x) AAER's ongoing relations with employees and with clients. Should one or more of these risks and uncertainties materialize, or should the underlying assumption prove incorrect or different, actual results may vary materially from those described in the forward-looking statements. All forward looking statements speak only as of the date of this news release. Accordingly, readers should not place undue reliance on forward-looking statements.

NEITHER TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE

FOR FURTHER INFORMATION, PLEASE CONTACT:

AAER Inc.

Dave Gagnon, President
Telephone: (450) 534-5155
www.aaer.ca

Eric Phaneuf, Chief Financial Officer
Telephone: (450) 534-5155
e.phaneuf@aaer.com

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EXHIBIT R-1**

ORIGINAL

Me Alain N. Tardif
Tel: (514) 397-4274
Our file: 196884-421982

BC 0847

McCarthy Tétraut LLP

Avocats • Agents de brevets et marques de commerce
Barristers & Solicitors • Patent & Trademark Agents

25e étage

1000, De La Gauchetière ouest
Montréal (Québec) H3B 0A2

tél. : (514) 397-4100

télex : (514) 875-6246