

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
COURT No.: 500-11-039418-104

SUPERIOR COURT  
Commercial Division

**IN THE MATTER OF THE JUDICIAL  
REORGANIZATION PROCEEDINGS OF:**

**COMPANÍA MEXICANA DE AVIACIÓN, S.A. DE C.V.**, a legal person incorporated under the laws of Mexico, having its head office at av. Xola 535 Col., Del Valle, Mexico D.F., Mexico 03100 and a place of business at 975 Romeo-Vachon Street North, Suite 413, Dorval, Quebec H4Y 1H1

Debtor

– and –

**SAMSON BÉLAIR/DELOITTE & TOUCHE INC.**, having a place of business at 1 Place Ville Marie, Suite 3000, Montreal, Quebec, H3B 4T9

Information Officer

## THIRD INFORMATION OFFICER'S REPORT

### INTRODUCTION

1. On August 2, 2010, Compañía Mexicana De Aviación, S.A. de C.V. ("**Mexicana**" or the "**Company**") commenced proceedings under Mexico's *Ley de Concursos Mercantiles* ("**Mexican Proceedings**").
2. On August 2, 2010, Maru E. Johansen (the "**Foreign Representative**") sought certain protections in the United States pursuant to Chapter 15 of Title 11 of the United States Bankruptcy Code ("**Bankruptcy Code**"). On August 3, 2010, the U.S. Bankruptcy Court granted an interim recognition order recognizing the Foreign Representative and the Mexican Proceedings as a foreign main proceeding pursuant to Chapter 15 of the U.S. Bankruptcy Code ("**Chapter 15 Proceedings**").
3. On August 5, 2010, the Foreign Representative brought an application (the "**CCAA Proceedings**") before the Canadian Court pursuant to Part IV of the *Companies Creditors Arrangement Act*, R.S.C. 195, c. C-36, as amended ("**CCAA**"), and obtained an order (the "**Canadian Recognition Order**"), which among other things: (i) recognized the Mexican Proceedings as a "foreign main proceedings"; (ii) recognized Maru E. Johansen as a foreign representative as defined in section 45 of the amended CCAA; (iii) granted a stay of proceedings

against the Company until November 10 2010; (iv) appointed Samson Bélair/Deloitte & Touche Inc. (“**Deloitte**”) as Information Officer; and (v) declared an administrative charge of \$250,000.

4. On November 5, 2010, in accordance with the Recognition Order of August 5, 2010, the Information Officer filed a First Report to the Court. A copy of the First Report was made available on the Information Officer’s website.
5. On November 10, 2010, Mexicana obtained an interim first stay period extension order (the “**Interim First Stay Extension Order**”) until November 16, 2010. A copy of the Interim First Stay Extension Order was made available on the Information Officer’s website.
6. On November 16, 2010, in accordance with the Recognition Order of August 5, 2010, the Information Officer filed a Second Report to the Court. A copy of the Second Report was made available on the Information Officer’s website.
7. On November 16, 2010, Mexicana obtained a first stay period extension order (the “**First Stay Extension Order**”) until January 14, 2011. A copy of the First Stay Extension Order is attached in Exhibit “A.” A copy of the First Stay Extension Order was made available on the Information Officer’s website.
8. The Canadian Recognition Order requires that the Information Officer deliver a report to the Court at such times and intervals as it deems appropriate and, in any event, at least once every three months on the status of the proceedings, the foreign proceedings and such other information that the Information Officer deems to be material. This report is filed pursuant to the requirements of the Canadian Recognition Order.
9. This third report of the Information Officer (the “**Third Report**”) has been prepared in connection with the Company’s motion to be heard on January 13, 2011 in which it is seeking an extension of the time under the Recognition Order (the “**Second Extension Motion**”). The purpose of this Third Report is to provide the Canadian Court and Mexicana’s stakeholders with an update on the Mexican Proceedings and the Chapter 15 Proceedings since the filing of the Information Officer’s First Report and Second Report. This Third Report is to be read in conjunction with the First Report and the Second Report of the Information Officer.

## TERMS OF REFERENCE

10. In preparing the Third Report, Deloitte has relied upon unaudited financial information, the Company’s books and records, financial information prepared by the Company and its advisors discussions with management of Mexicana and its representatives and advisors. In addition, Deloitte has reviewed the publicly available information filed in the Mexican Proceedings and the CCAA Proceedings. Deloitte has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, Deloitte expresses no opinion or other form of assurance on the information contained in this report.
11. Some of the information referred to in this Third Report may consist of or include forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

12. Deloitte has requested that Mexicana bring to its attention any significant matters that were not addressed in the course of its specific inquiries. Accordingly, this report is based solely on the information (financial or otherwise) made available to Deloitte.
13. All references to dollars in this Third Report are in Canadian currency unless otherwise noted. Capitalized terms not defined in this Third Report are defined in the Initial Order, in the Gonzales Affidavit, in the First Report or in the Second Report.

#### **UPDATE ON MEXICAN PROCEEDINGS**

14. As described in the Second Report, the Conciliador and the Administrator of Mexicana announced by Press Release that they had accepted a proposal by PC Capital (the “**PC Capital Proposal**”) to become the new investor of Mexicana that would allow the re-launch of the airline.
15. Mexicana and PC Capital are still in the process of negotiating a formal agreement.
16. The Information Officer has requested from the Company that it be provided with a copy of the PC Capital Proposal. The Company has advised that it could not provide a copy of the PC Capital Proposal as a result of a confidentiality clause contained in such document, until such time as a formal agreement has been reached between PC Capital and the Company, as mentioned in the previous paragraph. Therefore, the Information Officer has not been able to review any agreements or correspondence regarding the PC Capital Proposal. Moreover, the Information Officer was not provided with any of the proposed financial terms of the PC Capital Proposal.
17. Mexicana advised the Information Officer that pursuant to the PC Capital business plan, the Company could resume its operations in February 2011 for flights to and from various cities in Mexico and seven U.S. cities and in April 2011 for Canadian cities historically served by Mexicana. In order to resume its operations, Mexicana intends to start selling tickets in February 2011.
18. In light of resuming operations, Mexicana recalled a number of pilots in order to resume their training required to update their license certifications.
19. In addition, Mexicana advised the Information Officer that the Company has scheduled station certification inspections during the last week of January 2011 in ten (10) airports from which it operates in Mexico and the United States in order to comply with the requirements of the U.S. Federal Aviation Administration and its Mexican counterpart, the Direccion General de Aeronautica Civil (DGAC).
20. Mexicana advised the Information Officer that it plans to schedule in the near future similar station certification inspections in the four Canadian cities.
21. Mexicana advised the Information Officer that agreements have been reached with its three unions, namely, pilots, flight attendants and ground personnel, concerning new collective agreements. These agreements with unions are key milestones to allow Mexicana to go forward with its restructuring process.
22. Mexicana completed its claim process. On or about December 23, 2010, the Mexican Court published a final list of recognized credits (“**Recognized Credits**”). Canadian claims in the

amount of approximately \$1.5M have been recognized. The total Recognized Credits list can be reviewed on the following website: <http://www.ifecom.cjf.gob.mx/>

23. In view of presenting a proposal to its creditors, in the week beginning January 17, 2011, the Conciliador will meet with some of the Canadian and U.S. critical suppliers in New York City and in Los Angeles. Mexicana did not provide the Information Officer with a schedule on when a proposal can be expected by creditors nor on the financial terms of such a potential proposal.
24. The situation regarding the Post-filing debt remains unchanged since the filing of the Information Officer's Second Report. Moreover, Mexicana was not able to confirm that they presently have the financial capabilities to pay the Post-filing debt and ongoing costs with or without a transaction with PC Capital. Mexicana advised the Information Officer that Mexicana is processing payments to suppliers presently providing post-filing goods and services.
25. Mexicana advised the Information Officer that the agreement with IATA discussed in the First Report with respect to the process to reimburse Ticket Holders has been approved by the Mexican Court. IATA is currently in the process of reimbursing Ticket Holders through travel agents.

#### **CHAPTER 15 PROCEEDINGS**

26. On November 8<sup>th</sup>, 2010, the United States Bankruptcy Court, Southern District of New York, issued a final Order recognizing the Foreign Representative and the Mexican Proceedings as a foreign main proceeding pursuant to Chapter 15 of the U.S. Bankruptcy Code;

#### **ACTIVITIES OF THE INFORMATION OFFICER**

27. Since the date of the First Report, the Information Officer's activities have included:
  - Reviewing the draft materials for the CCAA Proceedings and communicating with Mexicana's Canadian counsel Borden Ladner Gervais regarding same;
  - Posting a copy of the Court-filed documents in these CCAA Proceedings to the Information Officer's website at <http://www.deloitte.com/ca/mexicana-airlines>;
  - Various discussions and correspondence with BLG;
  - Responding to inquiries of Mexicana's stakeholders;
  - Preparing and mailing a notice to creditors entitled *Supplemental Disclosure regarding the Credit Recognition Application Process*;
  - Preparing and updating the service list and posting same to the Information Officer's website;
  - Participating in conference calls with management of the Company, BLG, the Foreign Representative and the Company's management and advisors to discuss matters relevant to the Mexican Proceedings and CCAA Proceedings;

- Preparing the Second and Third Information Officer's reports and communicating with BLG regarding the same; and
- Attending at Court hearings.

## CONCLUSION

28. Since the Company was not able to provide the Information Officer with any financial information, the Information Officer is not in a position to conclude on the financial and liquidity situation of the Company.

29. The Company notified the Information Officer of its intention to request a further extension of the Stay Period until April 15, 2011 to allow the Company to conclude a transaction with PC Capital.

The Information Officer respectfully submits to the Court, this, its Third Report.

DATED AT MONTREAL, this 12<sup>th</sup> day  
of January, 2011.

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.

In its capacity as Information Officer of Compañía Mexicana De Aviación, S.A. de C.V.

Per:



Pierre Laporte, CA, CIRP  
President



Jean-François Nadon, CA, CIRP  
Senior Vice-President