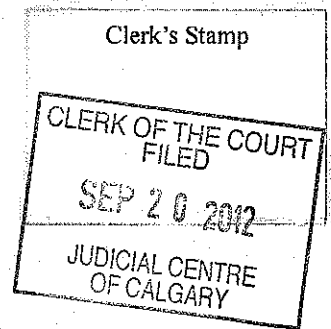


COURT FILE NUMBER **1201-06936**
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE Calgary
APPLICANT IN THE MATTER OF Q PRIVATE JETS LIMITED PARTNERSHIP
DOCUMENT **SECOND REPORT OF THE RECEIVER
HARDIE & KELLY INC.
SEPTEMBER 20, 2012**



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Josef G. A. Krüger, Q.C.
Borden Ladner Gervais LLP
1900, 520 3rd Ave. S.W.
Calgary, AB T2P 0R3
Telephone: (403) 232-9563
Facsimile: (403) 266-1395
Email: jkrüger@blg.com
File No. 436743-000011

**SECOND REPORT OF THE RECEIVER
HARDIE & KELLY INC.
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INDEX

INTRODUCTION	1
TERMS OF REFERENCE	1
CLAIMS PROCEDURE.....	2
AIRCRAFT OPERATING AND MAINTENANCE AGREEMENT	3
RECOMMENDATIONS.....	4

INTRODUCTION

1. On June 26, 2012, Debtsmith Inc. and Bedford Holdings Inc., two of the limited partners (the "**Limited Partners**") of Q Private Jets Limited Partnership (the "**Partnership**"), made an application to the Court of Queen's Bench of Alberta (the "**Court**") for the appointment of an Interim Receiver and Receiver and Manager (the "**Receiver**") of the current and future assets, undertakings and properties of the Partnership.
2. The Court granted a Consent Receivership Order on June 26, 2012 appointing Hardie & Kelly Inc. as the Receiver.
3. On July 25, 2012, the Receiver prepared a report for this Honourable Court (the "**First Report**") in advance of the Trustee's application for the establishment of a formal claims procedure.
4. The purpose of this report (the "**Second Report**") is to provide the Court with:
 - (a) An update as to the formal claims procedure and the Receiver's request for an amendment to the Claims Procedure Order granted by the Court on August 1, 2012 (the "**Claims Procedure Order**"); and
 - (b) Background information with respect to the Receiver's application to perform the Aircraft Management and Operating Agreement dated May 14, 2012 (the "**Air Partners Agreement**") between Air Partners Corp. ("**Air Partners**") and QuikJets Inc. ("**QuikJets**") in its capacity as general partner (the "**GP**") on behalf of the Partnership.

TERMS OF REFERENCE

5. The Receiver assumes no responsibility or liability for any loss or damage suffered by any party because of the publication, circulation, reproduction or use of this Second Report. Any use which any party may make of this Second Report or any reliance or decisions to be based on it is the responsibility of the party.

CLAIMS PROCEDURE

6. The deadline established by the Claims Procedure Order for creditors of the Partnership to file claims with the Receiver was August 31, 2012.
7. In accordance with the Claims Procedure Order, the Receiver issued the materials necessary for creditors to file a claim to those creditors existing as at June 26, 2012 as identified to the Receiver by the Partnership.
8. On August 9, 2012, the Receiver published an advertisement in the Calgary Herald calling for claims as prescribed by the Claims Procedure Order.
9. The Receiver has received six claims, including claims from QuikJets, DAC Financial Group (1997) Inc. ("DAC"), a company related to QuikJets, and Q Jets Aviation Ltd. ("Q Jets"), the company which formerly operated and managed the Partnership's fleet of four aircraft the ("Aircraft").
10. The Claims Procedure Order directs that the Receiver shall provide to each creditor filing a claim a notice in writing as to whether the claim is accepted, disputed in whole, or disputed in part by September 28, 2012. However, the claims of QuikJets, DAC and Q Jets are complex and voluminous. These claims have been delivered to the Receiver accompanied by seven boxes and 12 binders full of supporting records. The Receiver needs to review the records and must discuss the claims with persons having knowledge of the relevant facts. Such investigation cannot be completed by September 28, 2012. Consequently, the Receiver requires additional time to make a determination of the claims. The Receiver is unaware of any prejudice which an extension of the deadline may cause to any party.

11. The Receiver respectfully requests from this Honourable Court that paragraph 6 of the Claims Procedure Order be amended to extend the date upon which the Receiver must respond to the claims from September 28, 2012 to October 31, 2012.

AIRCRAFT OPERATING AND MANAGEMENT AGREEMENT

12. In the First Report, the Receiver advised that in light of various disputes between the Limited Partners and QuikJets, representatives of the Limited Partners were authorized by QuikJets to enter into the Air Partners Agreement between QuikJets, in its capacity as the GP, and Air Partners which provided for Air Partners to take over management of the Aircraft from Q Jets. Air Partners assumed physical control of the Aircraft from Q Jets Aviation on March 30, 2012. The Air Partners Agreement will be available for the Court's review, if necessary, at the upcoming application.
13. Since the operating costs of the Aircraft have to be funded by the Limited Partners, the Receiver was initially of the view that its ongoing involvement in respect of the administration of the operation and management of the Aircraft, in what is effectively an intermediary role between the Limited Partners and Air Partners, adds an unnecessary amount of administration and cost. Consequently, on August 1, 2012, the Receiver made an application to the Court recommending an order authorizing the removal of QuikJets as the GP by special resolution of the Limited Partners, on condition that such resolution will provide for payment in full to QuikJets of all amounts which may be found to be owing to it pursuant to any claim which QuikJets may prove in the claims process to be implemented pursuant to the Claims Procedure. QuikJets opposed the Receiver's application and the matter was adjourned indefinitely.

14. As of the date of the First Report, the Aircraft were not yet available to fly as Air Partners was still attending to maintenance matters and arranging for the necessary paperwork with Transport Canada. However, the Aircraft are now becoming available for use and the Receiver continues to be of the view that the involvement of the Receiver in respect of the administration of the Aircraft is redundant in the circumstances.
15. The Receiver believes that Air Partners is well qualified to deliver the services previously agreed upon in the Air Partners Agreement and that compliance by the Partnership with the Air Partners Agreement is in the best interests of the Partnership. The Receiver is prepared to perform the Air Partners Agreement on behalf of the Partnership in its current form; however, the Receiver does not have a first charge over the assets of the Partnership which would otherwise provide security to the Receiver for any obligations arising out of such performance of the Air Partners Agreement. Consequently, the Receiver is prepared to perform the Air Partners Agreement provided that doing so will not make the Receiver personally liable for any of the obligations of the Partnership pursuant to the Air Partners Agreement, and if all recourse by Air Partners pursuant to the Air Partners Agreement will be strictly limited to the Partnership.
16. Air Partners and representatives of the Limited Partners have advised the Receiver they are agreeable to the above course of action.

RECOMMENDATIONS

17. The Receiver recommends and is seeking this Honourable Court's approval of:
 - (a) an order amending the Claims Procedure Order by deleting in paragraph 6 thereof the date "September 28, 2012" and substituting it with "October 31, 2012"; and

- (b) an order authorizing and directing the Receiver to perform the Air Partners Agreement and providing that the Receiver shall have no personal liability for any of the obligations of the Partnership pursuant to the Air Partners Agreement, and all recourse by Air Partners pursuant to the Air Partners Agreement will be strictly limited to the Partnership.

All of which is respectfully submitted this 20th day of September, 2012.

Hardie & Kelly Inc.,
in its capacity as Receiver of
Q Private Jets Limited Partnership
and not in its personal capacity



Per: Marc Kelly, CA-CIRP
Senior Vice President