

April 20, 2012



**AVEOS FLEET PERFORMANCE INC.  
and  
AERO TECHNICAL US, INC.**

**DIVESTITURE PROCESS**

**Introductory Letter**

Aveos intends to divest itself of its three primary lines of business or divisions and also concurrently sell other assets it considers surplus or redundant to these lines of business.

The main lines of business include Engine Maintenance, Component Maintenance, and Airframe Maintenance. The details of what is being divested and the process under which this divestiture will occur are outlined in the various schedules attached to this letter, including definitions of capitalized terms in Schedule G.

Under Phase 1 of the Divestiture Process, Aveos is looking to receive non-conditional Bids in prescribed form by noon Eastern Daylight Time on May 29, 2012. Successful Phase 1 Bidders will be selected to move to Phase 2 of the Divestiture Process. It is expected that the Bidders selected at the conclusion of Phase 2 will proceed to complete a Transaction approximately 60 days after the commencement of the Divestiture Process.

Aveos has a virtual Data Room and other tools to assist Potential Bidders, and is available for meetings with Potential Bidders. Interested parties are invited to contact [divestiture@aveos.com](mailto:divestiture@aveos.com) for further information, which can be made available upon the execution and delivery of a Non-Disclosure Agreement.

**LIST OF SCHEDULES TO THE DIVESTITURE PROCESS**

- A. List of business lines/divisions and redundant assets for sale;
- B. Description of the Divestiture Process;
- C. Data Room, facility tours and meetings with Management;
- D. Role and involvement of the Monitor;
- E. Terms of Sale;
- F. Key Commercial Stakeholders;
- G. Recitals and Definitions.

**Schedule A**

**List of business lines/divisions and redundant assets for sale**

1. Engine Maintenance;
2. Components Maintenance;
3. Airframe Maintenance YUL (Montreal, QC)
4. Airframe Maintenance YWG (Winnipeg, Manitoba)
5. Airframe Maintenance YVR (Vancouver, BC)
6. Wheel shop YYZ (Toronto, ON)
7. Redundant tooling;
8. Surplus parts (consumables and rotables);
9. Training division; and
10. Other.

This Schedule A may be supplemented and modified by Aveos as required during the Divestiture Process to respond to the interests expressed by Potential Bidders.

## Schedule B

### Description of the Divestiture Process

#### **1. SUMMARY OF DIVESTITURE PROCESS**

- 1.1. This schedule describes, the manner in which:
  - Potential Bidders will be solicited,
  - Potential Bidders may gain access to due diligence materials and information concerning the Aveos Business,
  - Potential Bidders become qualified,
  - the receipt and negotiation of Bids received,
  - the timeframe for additional steps which shall be carried out, including the ultimate selection of one or more successful Bidders; and
  - the Court's approval of the resulting Transactions.
- 1.2. Aveos, under the direction of the CRO, shall conduct the DP.
- 1.3. Throughout the Divestiture Process, Aveos and the CRO will work closely with the Monitor as contemplated in Schedule 'D'.
- 1.4. The following is a summary of the Divestiture Process and the timeline associated with the Divestiture Process (each step of which is described in greater detail below):
  - 1.4.1. The Divestiture Process has commenced with the identification by Aveos of Potential Bidders for the Aveos Business. Aveos will send, upon request from a Potential Bidder, the Introductory Letter notifying Potential Bidders of the existence of the Divestiture Process, and inviting Potential Bidders to participate and make an offer to acquire all or part of the Aveos Business.
  - 1.4.2. Aveos will advertise the Divestiture Process by having a notice of the DP opportunity published in the following paper or electronic publications: La Presse, The Globe & Mail, the Wall Street Journal, Financial Times (London UK), a newspaper circulating in Asia, Debt Wire (New York) and other weekly industry specific publications and/or websites, subject to availability and terms of such proposed advertising. Aveos will also issue a news release about the DP opportunity.
  - 1.4.3. Potential Bidders will be required to sign an NDA in the prescribed form satisfactory to Aveos. Potential Bidders will be required to disclose to Aveos the information required by the Participation Documents. Aveos, in its sole discretion, will assess the completeness, and compliance with, the Participation Documents requirements.
  - 1.4.4. Aveos, in its sole discretion, will select the Phase 1 Qualified Bidders. Phase 1 Qualified Bidders will have access to the Data Room and will be invited to visit the facilities, meet with management, and conduct any and all due diligence that they require.
  - 1.4.5. By no later than May 29, 2012 at noon(Eastern Daylight Time), any Phase 1 Qualified Bidder interested in bidding on the Aveos Business must submit to Aveos a signed

Purchase Agreement that identifies a Purchase Price for the Aveos Business. As promptly as possible, Aveos will notify all Phase 1 Qualified Bidders whether or not they have been selected as Phase 2 Qualified Bidders.

- 1.4.6. Phase 2 Qualified Bidders will thereafter be invited to negotiate and finalize their Bid with Aveos during a period of 8 days. An additional period of two days will be reserved for a final private and confidential closed auction in Montreal so that the selected Phase 2 Qualified Bid will become an Accepted Bid that is subject only to Court approval and the Vesting Order and to no other condition.
- 1.4.7. Upon Court approval and issuance of the Vesting Order, the Transaction will close and the balance of the Purchase Price will be paid to Aveos.

## **2. PHASE I BIDS**

### **2.1. Solicitation of Bids**

Aveos will send the Introductory Letter upon receipt of a written request from a Potential Bidder, by email or otherwise, soliciting firm offers to purchase to be received by the CRO at the offices of Aveos no later than the Phase 1 Bid Deadline.

### **2.2. Phase I Participation requirements**

Unless otherwise determined by Aveos, in order to participate in the Divestiture Process, each Potential Bidder must deliver to Aveos, c/o the CRO, the Participation Documents.

### **2.3. Phase 1 Qualified Bids**

A Phase 1 Qualified Bid will be considered for Phase 2 participation only if the Bid is submitted by a Phase 1 Qualified Bidder prior to the Phase 1 Bid Deadline, and complies with all of the following conditions:

- 2.3.1. it states that the applicable Phase 1 Qualified Bidder offers to purchase all or part of the Aveos Business upon the terms and conditions substantially as set forth in the form of a Purchase Agreement, including, with respect to certainty as to Purchase Price and timing of closing, or upon alternative terms and conditions that Aveos determines are no less favourable than the terms and conditions of the Purchase Agreement;
- 2.3.2. it includes a signed Purchase Agreement, setting out the Purchase Price for the Aveos Business expressed in Canadian dollars, together with all exhibits and schedules thereto and, to the extent required by the terms and conditions of such Bid, any ancillary agreements as described in the Purchase Agreement with all exhibits and schedules thereto;
- 2.3.3. it includes written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to complete the sale, that will allow Aveos to make a reasonable determination as to the Phase 1 Qualified Bidder's financial and other capabilities to complete the Transaction as contemplated by the Purchase Agreement;

- 2.3.4. it includes an acknowledgement and representation that the Phase 1 Qualified Bidder has had an opportunity to conduct any and all required due diligence regarding the Aveos Business prior to making its offer;
- 2.3.5. it is **not** conditional upon (i) the outcome of further due diligence by the Phase 1 Qualified Bidder, or (ii) obtaining financing, or (iii) any other material conditions;
- 2.3.6. it includes an acknowledgement and representation that the Phase 1 Qualified Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and the Aveos Business, (ii) has reviewed and accepts in full the terms and conditions of the Divestiture Process, and (iii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Aveos Business or the completeness of any information provided in connection with the DP;
- 2.3.7. it contains sufficient details of the proposed number of employees (union and non-union) of Aveos who will become employees of the Phase 1 Qualified Bidder and any proposed measures and terms associated with the continued employment of all employees who will become employees of the Phase 1 Qualified Bidder following completion of a Transaction;
- 2.3.8. it identifies the Phase 1 Qualified Bidder's principal advisors;
- 2.3.9. it contains other information reasonably requested by Aveos; and
- 2.3.10. it is accompanied by a Deposit.

All Deposits received, other than those received from Phase 2 Qualified Bidders will be returned, without interest, by Fraser Milner Casgrain LLP to the Phase 1 Qualified Bidders that are not selected for Phase 2 of the DP.

### **3. CONSIDERATION OF BIDS AND SELECTION FOR PHASE 2**

- 3.1. On or before June 1<sup>st</sup>, 2012, Aveos, at its sole discretion, will select Phase 1 Qualified Bids received for the Aveos Business and/or each Business line or Division and /or any Assets. These Phase 1 Qualified Bids will be selected as "**Phase 2 Qualified Bids**" (and the party shall be a "**Phase 2 Qualified Bidder**") for negotiation leading to the final selection of one or more Accepted Bids for the Aveos Business. The selection of Phase 2 Qualified Bids will be made by Aveos and will take into account the capacity of the Bidder to complete the Transaction, the conditions attached to the Bid, if any, the time required to close the Transaction and any other relevant considerations, including:
  - Summary of intellectual property, software and any other soft assets or rights needed;
  - Severability of the Bid and allocation of the Purchase Price;
  - Proposed timeline to restart operations;
  - Any arrangements with the IAMAW representing the unionized employees of Aveos;
  - Government support, if any;

- Air Canada, or any other Aveos major customer, involvement, if any;
  - Specifics of which contracts are to be assigned, provided that, if an assignment is not possible due to irreparable breach, this will not be considered a condition precedent or require a Purchase Price adjustment;
- 3.2. The selection by Aveos of Phase 1 Qualified Bids for further negotiation, clarification and finalization in Phase 2 of the DP will be deemed final. Rejected Phase 1 Qualified Bidders shall have no claims or recourse against Aveos or the Monitor other than for the return of the Deposit.

#### **4. PHASE 2: NEGOTIATION OF BIDS**

- 4.1. Aveos will negotiate with the Phase 2 Qualified Bidders to finalize the terms of their Bids. This process may involve discussions between each Phase 2 Qualified Bidder and customers, the IAMAW, regulatory authorities and other interested parties. Eight calendar days is the time period allocated for such discussions. Two additional days will be set aside for face to face negotiations between Aveos and Phase 2 Qualified Bidders, pursuant to a final private and confidential closed auction to negotiate, finalize and select the Accepted Bids.
- 4.2. Upon a final Phase 2 Qualified Bid being executed by a Bidder on terms acceptable to Aveos, Aveos may accept such Bid subject to (i) approval by the Monitor and (ii) Court authorization and the issuance of a Vesting Order and such Phase 2 Qualified Bid shall constitute an Accepted Bid.

### Schedule C

#### Data Room, facility tours and meetings with management

Phase 1 Qualified Bidders will be invited to have access to the Aveos Business and information related thereto in order to perform any necessary due diligence and satisfy themselves as to the Aveos Business or portions thereof being considered for purchase.

Aveos will make available to Phase 1 Qualified Bidders the following:

1.- Access to Virtual Data Room

- Phase 1 Qualified Bidders shall be granted access to the relevant portions of the Data Room;
- Electronic information, broken down by Division and business line;
- Contains a variety of financial and Asset information; and
- Unique log-in and password information.

2.- Facility Tours and Access to Management

- Phase 1 Qualified Bidders may arrange a facility tour for the parts of the Aveos Business which are of interest;
- Meetings with Aveos' Management may also be arranged in order to facilitate discussion and exchange of information; and
- If requested, Phase 1 Qualified Bidders will be given a workspace at the Aveos premises, for the duration of their facility tour and/or meetings with Management, for a period not to exceed three calendar days.

3.- Requests for Additional Information

- Requests for information not found in the Data Room should be provided, in writing, to [divestiture@aveos.com](mailto:divestiture@aveos.com) ; and
- Frequently asked questions will be updated into the appropriate Data Room folder.

Phase 1 Qualified Bidders shall conduct their own due diligence and will be authorized by Aveos, where necessary, to contact regulatory agencies and specified third parties to seek further information on the Aveos Business. Aveos will provide available information only with no warranty as to its completeness or accuracy.



**Schedule D**

**Role and involvement of the Monitor**

Under the terms of the Initial Order, the Monitor has been appointed by the Court with broad responsibility to monitor the business and financial affairs of Aveos as well as to assist Aveos in carrying out a restructuring under the CCAA.

In conducting the Divestiture Process, Aveos and the CRO will be working in close co-operation with the Monitor. In particular, Aveos will consult with the Monitor with respect to:

- (i) the exercise of Aveos' discretion throughout the Divestiture Process;
- (ii) the selection or rejection of Phase 1 Qualified Bids and Phase 2 Qualified Bids;
- (iii) negotiations with Phase 2 Qualified Bidders and finalization of Accepted Bids;
- (iv) the process for obtaining Court Approval of Accepted Bids and completion of the resulting Transactions;
- (v) any changes to the Divestiture Process or its timelines; and
- (vi) the approval of any Transaction by the Court pursuant to the Divestiture Process.

**Schedule E**

**Terms of Sale**

**1. Assets to be sold**

Aveos is offering for sale all or part of the Aveos Business to Potential Bidders that have submitted the Participation Documents and qualify as Phase 1 Qualified Bidders.

**2. “As is, Where is”**

The sale of the Aveos Business will be made on an “as is, where is” basis, at the Bidder’s own risk, and without representations, warranties or indemnities of any kind, by Aveos, except to the extent set forth in the relevant Purchase Agreement ultimately approved by the Court pursuant to a Vesting Order.

**3. Free of any and all claims and interests**

Except as set out in the Purchase Agreement, all of the rights, title and interests of Aveos in and to the Aveos Business, or any portion thereof, to be acquired will be sold free and clear of all Charges as permitted by section 36(6) of the CCAA.

**4. Plan of Arrangement**

Certain stages of the DP may be conducted by Aveos simultaneous to the preparation, solicitation or confirmation of a CCAA Plan of Arrangement. In addition, the closing of any Transaction may involve, at the request of a purchaser, additional intermediate steps or Transactions to facilitate consummation of such Transaction, including additional Court filings and/or other corporate transactions.

**5. Closing Transactions**

The Transaction(s) approved under a Vesting Order shall be considered to be completed upon issuance of the Vesting Order by the Court and after closing of the Transaction, payment of the Purchase Price, and the Monitor filing in the Court record a certificate such that the Aveos Business shall be vested in the purchaser, free and clear of all Charges.

**6. Reservation of rights**

Aveos may, at any time: (a) reject any Bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the CCAA, the DP, or any other orders applicable to Aveos, or (iii) contrary to the best interests of Aveos, and its stakeholders as determined by Aveos; (b) impose additional terms and conditions and otherwise seek to modify the DP without further notice, including amending the Aveos business listing in Schedule A and extending any time period or deadlines; (c) withdraw from sale any Aveos Business and make subsequent attempts to market the same; and (d) reject all Bids.

The DP does not, and shall not be interpreted to, create any contractual or other legal relationship between Aveos and any Potential Bidder, Phase 1 Qualified Bidder or Phase 2

Qualified Bidder, other than as specifically set forth in definitive agreements that may be signed with Aveos, and subject to paragraph 4.10 below.

**7. Approvals**

The written consent of the Monitor and final approval of the Court will be required with respect to any and all Transactions and Aveos shall execute any Purchase Agreements subject to the express condition that such approvals be obtained.

**Schedule F**

**Key Commercial Stakeholders**

Aveos understands that each Phase 1 Qualified Bidder will have a different commercial and strategic objective for the acquisition of one or more parts of the Aveos Business. Aveos encourages Phase 1 Qualified Bidders to work with Air Canada, other Aveos customers and the IAMAW early in the process so that will be in a position to determine what commercial arrangements have been made.

The CRO has worked with both Air Canada and the IAMAW to identify points of contact as well as processes that will help facilitate Phase 1 Qualified Bidders working with these parties.

In order to facilitate an expedient and efficient process, Aveos has also encouraged both Air Canada and the IAMAW to work with multiple parties on parallel tracks to negotiate a suitable commercial relationship subject to the successful completion of a Transaction.

Phase 1 Qualified Bidders should contact the CRO, who will in turn coordinate an introduction to these stakeholders.

**Schedule G**

**Recitals and Definitions**

**WHEREAS** on March 19, 2012, AVEOS FLEET PERFORMANCE INC. and AERO TECHNICAL US, INC. filed a Petition for the Issuance of an Initial Order pursuant to the CCAA before the Superior Court of Quebec, Commercial Division;

**WHEREAS** on March 19, 2012, the Court issued an Initial Order (as amended and restated on March 30, 2012 and April 5, 2012), pursuant to which a stay of proceedings was ordered until April 5, 2012;

**WHEREAS** pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed as Monitor of Aveos;

**WHEREAS** on March 20, 2012, the Court issued an Order for the Appointment of a Chief Restructuring Officer;

**WHEREAS**, on April 5, 2012, the Stay Period was extended until May 4, 2012 by Order of the Court;

**WHEREAS** on April 18, 2012, Aveos filed a Motion for Approval of the Divestiture Process and the procedures set forth herein;

**WHEREAS** on April 20, 2012 the Court rendered the Divestiture Process Order or DP Order approving the DP described herein;

The capitalized terms used in this document have the following meanings:

**“Accepted Bid”** means a Phase 2 Qualified Bid for the Aveos Business that has been accepted by Aveos subject only to approval by the Monitor and the Court approval and Vesting Order;

**“Assets”** means the assets of Aveos;

**“Aveos”** means AVEOS FLEET PERFORMANCE INC. and AERO TECHNICAL US, INC.;

**“Aveos Business”** means individually and/or collectively the Business, Divisions and/or Assets;

**“Bid”** means a Phase 1 Qualified Bid or Phase 2 Qualified Bid as the context requires;

**“Bidders”** means a Potential Bidder who becomes a Phase 1 Qualified Bidder or Phase 2 Qualified Bidder;

**“Business”** means any and all of its lines of business of Aveos;

**“CCAA”** means the *Companies’ Creditors Arrangement Act*;

**“CCAA Proceedings”** means the proceedings by Aveos before the Court under the CCAA;

**“Charges”** means all security interests, hypothecs, priorities, charges, pledges, liens, encumbrances, claims or other restrictions thereon, including charges pursuant to CCAA;

**“CMC”** means the components maintenance division of Aveos;

“**Court**” means the Superior Court of Quebec, Commercial Division;

“**CRO**” means the Chief Restructuring Officer appointed on March 20, 2012 by the Court pursuant to the Order for the Appointment of a Chief Restructuring Officer;

“**Data Room**” means the virtual data room maintained by Aveos for the Aveos Business;

“**Deposit**” means a Deposit of 15% of the Purchase Price payable to the order of Fraser Milner Casgrain LLP In Trust to be deposited with a Canadian chartered bank in the general non-interest bearing trust account of the firm. The deposit will become non-refundable upon a Bid becoming an Accepted Bid;

“**Divestiture Process**” or “**DP**” means the process described in this Introductory Letter and its schedules, as may be amended or supplemented and which shall also be posted on the Monitor’s website;

“**Divestiture Process Order or DP Order**” means the Order approving the Divestiture Process rendered on April 20, 2012 by the Court;

“**Divisions**” means any or all of the business divisions of Aveos;

“**EMC**” means the engines maintenance division of Aveos;

“**IAMAW**” means the International Association of Machinists and Aerospace Workers representing the unionized employees of Aveos;

“**Initial Order**” means the Order issued by the Court on March 19, 2012, (as amended and restated on March 30, 2012 and April 5, 2012) and as may be further amended from time to time;

“**Introductory Letter**” means this Introductory Letter and its schedules, as may be amended or supplemented from time to time;

“**Monitor**” means FTI Consulting Canada Inc. as Monitor of Aveos appointed pursuant to the Initial Order;

“**Monitor’s Certificate**” means the closing certificate in a form to be approved in the Vesting Order;

“**NDA**” means a Non-Disclosure Agreement satisfactory to Aveos;

“**Order**” means any order rendered by the Court in the CCAA Proceedings;

“**Participation Documents**” means the following documents:

- i) an executed NDA;
- ii) current audited financial statements and latest unaudited financial statements of the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of acquiring the Aveos Business, current audited financial statements and latest unaudited financial statements of the equity holders or sponsors of the Potential Bidder who will guarantee the obligations of the Potential Bidder, or such other form of financial disclosure and credit-quality support or enhancement that will allow Aveos to make a reasonable determination as to the Potential Bidder’s financial and other capabilities to consummate the sale of the Aveos Business;

iii) a letter setting forth the identity of the Potential Bidder (and, if applicable, its sponsor), the contact information for such Potential Bidder and its principal advisors and full disclosure of any pre-petition or post-petition affiliations that the Potential Bidder has or may have with (i) Aveos, (ii) any affiliates of Aveos, (iii) any creditor of Aveos, (iv) any holder of equity securities of Aveos, and (v) any current or former officers, managers or directors of Aveos or its affiliates; and

iv) any other information reasonably requested by Aveos.

**“Petition for an Initial Order”** means the Petition for the Issuance of an Initial Order dated March 18, 2012 filed by Aveos in the CCAA Proceedings;

**“Phase 1 Bid Deadline”** means May 29, 2012 at noon (Eastern Daylight Time), or such other date and time communicated by Aveos to Phase 1 Qualified Bidders;

**“Phase 1 Qualified Bidder”** means a Potential Bidder who has submitted the Participation Documents satisfactory to Aveos and **“Phase 1 Qualified Bid”** has a corresponding meaning;

**“Phase 2 Qualified Bids”** and **“Phase 2 Qualified Bidder”** mean respectively a Phase 1 Qualified Bid submitted by a Phase 1 Qualified Bidder and a Phase 1 Qualified Bidder selected by Aveos pursuant to section 3.1 of Schedule B;

**“Potential Bidders”** means both strategic and financial parties identified by Aveos who may be interested in acquiring the Aveos Business, including those parties who have previously expressed interest and/or signed a NDA;

**“Purchase Agreement”** means a Purchase Agreement in the form to be provided to Phase 1 Qualified Bidders by Aveos;

**“Purchase Price”** means the purchase price in Canadian Dollars for the Aveos Business as set out in the Purchase Agreement;

**“Stay Period”** means the stay period applicable to Aveos pursuant to the Initial Order as amended and extended from time to time by further Order of the Court;

**“Transaction”** means the transaction of purchase and sale resulting from an Accepted Bid;

**“Vesting Order”** means a final executory Order of the Court approving a sale and vesting, free and clear of the Charges, all or part of the Aveos Business to the party making an Accepted Bid; the Order shall provide that such Charges will attach to the net proceeds of the sale of such Aveos Business (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof); the Order shall also provide the form of the Monitor’s Certificate.