

GENERAL TERMS AGREEMENT

between

Aveos Fleet Performance Inc.

and

Canadian North Inc.

Respecting B737-200

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TABLE OF CONTENTS

<u>Article</u>	<u>Page</u>
1. <u>PROVISION OF SERVICES</u>	3
2. <u>DEFINITION OF TERMS</u>	4
3. <u>OBLIGATIONS OF THE PARTIES</u>	8
4. <u>PARTS AND MATERIALS</u>	9
5. <u>INVOICING, CURRENCY AND BANKING</u>	9
6. <u>RECORDS</u>	11
7. <u>MODIFICATIONS</u>	11
8. <u>MOVEMENT OF EQUIPMENT</u>	12
9. <u>CUSTOMER'S REPRESENTATIVE</u>	12
10. <u>WARRANTY AND ADMINISTRATION</u>	12
11. <u>LIABILITY AND INDEMNITY</u>	15
12. <u>INSURANCE</u>	16
13. <u>FORCE MAJEURE</u>	17
14. <u>INTELLECTUAL PROPERTY RIGHTS</u>	18
15. <u>INSOLVENCY OR BANKRUPTCY</u>	18
16. <u>DEFAULT</u>	18
17. <u>SURVIVAL</u>	18
18. <u>TITLE OF PROPERTY</u>	19
19. <u>LIEN RIGHTS</u>	19
20. <u>DUTIES AND TAXES</u>	19
21. <u>MUTUAL REPRESENTATIONS AND WARRANTIES</u>	20
22. <u>GENERAL</u>	20
23. <u>GOVERNING LAW</u>	21
24. <u>LANGUAGE OF CONTRACT</u>	21

25.	<u>TERM AND TERMINATION</u>	21
26.	<u>COUNTERPART</u>	22
27.	<u>CONFIDENTIALITY / NON-DISCLOSURE</u>	22
28.	<u>DISPUTE RESOLUTION PROCEDURE</u>	24
29.	<u>NOTICES</u>	28

ANNEX A	<u>AIRCRAFT EQUIPMENT</u>
ANNEX B-1	<u>HEAVY AIRFRAME MAINTENANCE SERVICES</u>
ANNEX B-2	<u>ENGINE AND APU MAINTENANCE SERVICES</u>
ANNEX B-3	<u>COMPONENT MAINTENANCE SERVICES</u>
ANNEX B-4	<u>LINE MAINTENANCE SERVICES</u>
ANNEX B-5	<u>FLEET MANAGEMENT SERVICES</u>
ANNEX B-6	<u>KEY PERFORMANCE INDICATORS</u>
ANNEX C	<u>RATES AND CHARGES</u>
EXHIBIT 1	<u>EXCLUSION LIST</u>
EXHIBIT 2	<u>ENGINE SERIAL NUMBER REMOVAL SCHEDULE</u>
EXHIBIT 3	<u>HARDTIME COMPONENTS</u>
EXHIBIT 4	<u>TASK CARDS</u>

**GENERAL TERMS AGREEMENT
FOR B737 TECHNICAL SERVICES**

This General Terms Agreement for B737-200 Technical Services (the "Agreement") made as of the 19th day of December, 2008 between Aveos Fleet Performance Inc., having its head office at 2311 Boulevard Alfred-Nobel, BAN 3, St. Laurent, Quebec, Canada, H4S 2B6 (hereinafter referred to as "AVEOS"), and Canadian North Inc., having an office at Suite 300, 5201 – 50th Avenue, Yellowknife, N.W.T., Canada X1A 3S9 (hereinafter referred to as "Canadian North" or "CUSTOMER").

WHEREAS Canadian North requires Maintenance, Repair, Overhaul and related logistics services with respect to its Boeing B737-200 aircraft, identified in Annex "A";

WHEREAS AVEOS represents that it has the facilities and capabilities to carry out the performance of the required Services described in the attached Annexes on the Equipment subject to the terms and conditions set forth herein, including the attached Annexes and Exhibits (the "Agreement").

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the Parties hereto agree as follows:

1. PROVISION OF SERVICES

- 1.1 AVEOS shall perform and Canadian North shall exclusively engage AVEOS to perform services in respect of Canadian North's Equipment relating to the Aircraft, as specified herein and in Annex "A" and Annex "B-1" to "B-5" attached (collectively, the "Services" or "Work").
- 1.2 Work shall be performed under AVEOS' Transport Canada ("TC") Approved Maintenance Organization Certificate 6-58, or AVEOS sub-contracted facilities as provided for in this Agreement.
- 1.3 The Services or Work shall be performed at AVEOS' or its subcontractors maintenance facilities using the manufacturer's approved procedures, processes, documentation, or other acceptable data, and AVEOS or subcontractor supplied tooling, fixtures, stands and related shop equipment.

2. DEFINITION OF TERMS

Affiliate shall mean, with respect to any Person, a Person who, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with, such Person. For the purposes of this definition, a Person is considered to be controlled by another Person if, in the case of a corporation, such other Person owns more than fifty percent (50%) of the voting stock of such corporation and, in the case of a partnership, such Person holds more than fifty percent (50%) of the interests in such partnership.

Aircraft shall mean the aircraft leased or owned and operated by Canadian North listed in Annex "A".

Aircraft Flight Hours, and its derivatives, shall mean:

- i) **Actual Annual Aircraft Flight Hours** means Flight Hours actually flown per Aircraft in each 12 successive month period from the Effective Date of this Agreement;
- ii) **Actual Monthly Aircraft Flight Hours** means the actual number of Flight Hours per Aircraft per month;
- iii) **Estimated Monthly Aircraft Flight Hours** shall mean an estimate of the number of Hours Flown in a calendar month per Aircraft based on the historic average of the previous two (2) years;
- iv) **Minimum Annual Aircraft Flight Hours per fleet** means 12,950 Aircraft Flight Hours flown annually for the Aircraft listed in Annex "A".

A.O.G. shall mean a Part or Component situation, which if not dealt with, has grounded or will ground an Aircraft.

Approved shall mean materials, Equipment services, tests, schedules, limits, tooling, Facilities, processes, records, designs, documentation, practices and procedures meeting Canadian Aviation Regulations and Standards as determined by Transport Canada, and/or approved technical data applicable to the Aircraft and operation for which the Maintenance, Repair, overhaul or modification is performed.

Auxiliary Power Unit shall mean the APU operated by Canadian North and installed on an Aircraft as set forth in Annex "A" attached hereto.

Business Day shall mean any day other than a day which is a Saturday, Sunday or statutory holiday in any of the provinces or territories of Canada.

Canadian Aviation Regulations and Standards (CARS) shall mean the Canadian Aviation Regulations and Standards and documents incorporated therein by reference as amended from time to time by the Canadian Minister of Transport.

Component shall mean any self-contained Rotable and Repairable Part, or combination of Parts, sub-assemblies or units, which perform a distinctive function necessary to the operation of a system and for which a CMM exists.

Component Maintenance Manual (CMM) shall mean the latest revision of the OEM's component maintenance manual.

Component Maintenance Services or CM Services shall mean those Services described in Annex "B-3" attached hereto.

DOD or Domestic Object Damage shall mean damage to Equipment which is caused by a part of the Equipment which is damaged.

Effective Date shall mean January 1, 2009.

Engine shall mean the thrust generating device(s) as installed on an Aircraft, complete with QEC.

Engine Visit shall mean each occasion a Canadian North Engine or APU is delivered for Work to AVEOS in accordance with this Agreement.

Engine/APU Maintenance Services or EM Services shall mean those Services described in "Annex B-2" attached hereto.

Equipment shall mean any Aircraft identified in Annex "A", its Engines, APU, Components or Parts which is either the subject of a particular work program for whose accomplishment that Aircraft, Engine, APU, Component or Part was delivered by Canadian North to AVEOS, or a part(s) of such a work program.

FAA shall mean the Federal Aviation Administration of the United States of America or any successor agency.

Facility shall mean repair facilities, as designated by AVEOS.

Federal Aviation Regulation (FAR) shall mean United States Federal Aviation Regulations in effect from time to time as applicable to Canadian North's Equipment and type of operation.

Fixed Price or Fixed Rate shall have the meaning as described in Annex "B-1" and Annex "C".

Fleet Management Services shall mean the Services described in Annex "B-5" attached hereto.

Flight Hour shall mean an hour of flying (wheels off to wheels on) accumulated by the Aircraft.

Flight Hour Charge shall have the meaning ascribed thereto in Annex "C" of the Agreement.

Flight Hour Rate or FHR shall have the meaning as described in Annex "C".

FOD or Foreign Object Damage shall mean damage caused to Equipment from sources external to the Equipment.

Heavy Maintenance Services or C-Check-HMV Services shall mean those Services described in Annex "B-1" attached hereto.

Hours Flown shall mean the total number of Flight Hours in a particular period.

In-Scope Work or Services shall have the meaning ascribed thereto in Annex "B-1" to Annex "B-5" of this Agreement.

Individual Engine/APU Workscope shall mean engineering instructions on Work to be accomplished on an Engine/APU per Canadian North specification.

Intellectual Property shall mean (i) all domestic and foreign patents and applications therefore and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof; (ii) all inventions (whether patentable or not), invention disclosure, improvements, trade secrets, proprietary information, know-how, technology, technical data, schematics and customer lists, and all documentation relating to any of the foregoing; (iii) all copyrights, copyright registrations and applications therefore, and all other rights corresponding thereto throughout the world; (iv) all trademark, tradenames, whether or not registered and all forms of identification; (v) all software (both source code and object code form) and any proprietary rights in such software, including documentation and other materials related thereto and (vi) all rights in trade secrets.

Life Limited Part(s) (LLPs) shall mean Parts for which an appropriate authority has specified a time after which the Part must be removed from service.

Line Maintenance Services shall mean the Services described in Annex "B-4" attached hereto.

Maintenance shall mean Services performed on Equipment such as test, Repair or Overhaul.

Maintenance Control Manual or MCM shall mean Canadian North's Transport Canada approved maintenance control manual.

Maintenance Policy Manual shall mean AVEOS' Transport Canada approved maintenance policy manual.

Maintenance, Repair, and Overhaul Agency (MROA) shall include, but not be limited to the OEM maintenance, repair, and overhaul agencies.

OEM shall mean the original equipment manufacturer.

Out-of-Scope Work or Services shall have the meaning ascribed thereto in Annex "B-1" to Annex "B-5" and Annex "C" of this Agreement.

Overhaul shall mean a restoration process that includes the disassembly, inspection, repair or replacement of Parts, reassembly, adjustment, refinishing and testing of Equipment in accordance with AVEOS' standards which will be equal to or higher than the manufacturer's standards.

Part shall mean one piece, or more pieces joined together, which are not normally subject to disassembly without destruction of designed use.

Party shall mean a Party to this Agreement.

Peculiar Part(s) shall mean those Parts or Components used on or in the Equipment which are of a different type, make or configuration than Parts or Components used by AVEOS and that are unique to Canadian North's particular operating environment, including without limitation, those listed in Exhibit "1".

Person shall mean an individual, corporation, company, cooperative, partnership, trust, unincorporated association, entity with juridical personality or governmental authority, and pronouns which refer to a person shall have a similarly extended meaning.

QEC shall refer to the full complement of Parts and Components, which, when installed on an Engine, render such Engine ready to install to a particular position on a particular Aircraft.

Repair shall mean the rectification of deficiencies in Equipment or the restoration of Equipment to an airworthy condition.

Repairable Part(s) shall mean a Part(s) or Component(s) commonly economical to Repair and subject to being rehabilitated to a fully airworthy condition over a period less than the life of the flight equipment to which it is related.

Rotable Part(s) shall mean a Part(s) or Components(s) that can be economically restored to a serviceable condition and in the normal course of operations is repeatedly rehabilitated to a serviceable condition over a period approximating the life of the flight equipment to which it is related.

Services or Work shall mean all services performed hereunder including the services described in Section 1.1 in the Article pertaining to "Provision of Services" and as described in Annex A and Annex "B-1" to Annex "B-5".

Shop Visit shall mean each occasion a Canadian North Equipment is delivered to the Facilities for Maintenance, Repair or Overhaul.

Stores shall mean logistics facilities for Parts and Components;

TAT shall mean turn-around-time, being the time in which AVEOS has agreed to perform a specific Heavy Airframe Maintenance Service as set out in Annex "B-1".

TC shall mean Transport Canada or any successor agency.

Work Completion shall mean written notification by AVEOS to Canadian North that the Work has been performed in accordance with the terms of this Agreement and the Equipment is in serviceable condition.

3. OBLIGATIONS OF THE PARTIES

- 3.1** Equipment shall have been operated by Canadian North according to the applicable manufacturer's operating manual and maintained in accordance with that manufacturer's Equipment Maintenance Manual. Canadian North shall be responsible for planning and controlling all service monitoring and on line maintenance required in accordance with the applicable maintenance and operation manual of the Aircraft.
- 3.2** All Work will be performed in accordance with AVEOS' TC Approved Maintenance Organization (AMO 6-58) policies or such other policies agreed to by Canadian North and AVEOS, or by AVEOS approved sub-contractors in accordance with the applicable standards set out in this Agreement and Canadian North's Maintenance Control Manual.
- 3.3** AVEOS shall carry out all Work associated with this Agreement in a timely manner using standard commercial policies, procedures and practices, applicable Component Maintenance Manual (CMM), Engine Maintenance Manuals (EMM), Aircraft Maintenance Manual (AMM) and Structures Repair Manual (SRM) all as they may be amended from time to time and may include Designated Engineering Representative (DER) repairs (with Customer concurrence). AVEOS shall determine which parts are required to repair the Equipment, and may elect to use new Original Equipment Manufacturer (OEM) parts, Parts Manufacturing Authority (PMA) parts, overhauled parts, and/or parts in serviceable condition from AVEOS' rotatable parts inventory to replace Canadian North's Equipment.
- 3.4** If Work is requested by Canadian North to be performed to policies other than AVEOS' approved policies, Canadian North shall bear the sole responsibility for ensuring that the Work performed hereunder satisfies Canadian North's regulatory authority, including taking all necessary action to ensure compliance with such policies.
- 3.5** AVEOS may, without Canadian North's consent, subcontract any Work pertaining to Canadian North's Equipment to an authorized repair agency once it is established to meet Transport Canada requirements. AVEOS shall remain liable hereunder for the performance of all the terms of this Agreement as if such subcontracting had not occurred. In the case of a change in heavy maintenance vendor and/or engine shop vendor, Canadian North shall be notified in writing with sufficient time to allow for an audit to be conducted within a reasonable time-frame and in accordance with the Canadian North Maintenance Control Manual. Any findings during such audits would be handled in accordance with the Non Compliance Report (NCR) process outlined in the Canadian North MCM. Furthermore, Canadian North may request that AVEOS restricts or denies the use of an authorized repair agency if reliability and/or quality issues arise with that vendor.
- 3.6** Canadian North shall advise AVEOS of modification standards, or other parameters which may deviate from the manufacturer's standards. In the absence of such instructions, AVEOS shall use the rigging instructions and modification standards that are currently in effect by the manufacturer for such Equipment and acceptable to Transport Canada.

- 3.7 In performing the Work, AVEOS shall use current and accurate technical publications and drawings in its possession and as provided by Canadian North applicable to such Equipment. If other technical publications and drawings peculiar to Canadian North's Equipment are required in order to perform the Work, and if Canadian North does not provide same on a timely basis, AVEOS may, after advising Canadian North in writing, purchase such publications and drawings from a vendor and Canadian North shall reimburse AVEOS. Such publications and drawings will then be the property of Canadian North and returned at the termination of this Agreement. In the event that AVEOS cannot locate required manuals previously supplied by Canadian North, AVEOS shall be responsible for the cost of replacing the manuals with the current version.
- 3.8 Canadian North shall provide or make available to AVEOS all technical data in its possession required to execute the obligations under this Agreement. Canadian North shall be responsible for acquiring any technical data not in its possession and provide or make available to AVEOS, in a timely manner, such technical data required to execute the obligations under this Agreement.

4. **PARTS AND MATERIALS**

- 4.1 AVEOS, or its subcontractors, shall supply Parts, tooling, shop equipment and materials and shall charge Canadian North in accordance with the terms for each Service listed in the Annexes attached to this Agreement.

5. **INVOICING, CURRENCY AND BANKING**

- 5.1 Canadian North shall be invoiced for Services or Work performed hereunder in accordance with procedures set out in Annex C of this Agreement.
- 5.2 All amounts for Services or Work performed hereunder shall be in the Canadian currency (CAD), unless indicated otherwise.
- 5.3 Payments shall be made by wire transfer in immediately available funds to:

The Bank of Nova Scotia
P.O. Box 1980, Station Place d'Armes
Montreal, Quebec
Canada H2Y 3L9

Transit: 63081
CAD Account #: 630810020138819
SWIFT CAD: NOSCCATT
A.B.A. 026002532
Beneficiary: AVEOS Fleet Performance Inc.

Or at such other account or in such other manner as AVEOS may from time to time advise Canadian North by notice in writing.

AVEOS may, upon request and during normal business hours, inspect Canadian North's business records relating to the recording and computation of Aircraft Flight Hours. Canadian North may, upon request and during normal business hours, inspect AVEOS' business records relating to the recording and computation of Canadian North's invoice charges. In each case, it is not intended that any Party have the right to access business information which is confidential and not pertinent to the review, including confidential cost information. If AVEOS determines that the amount of any invoice or payment is in error, AVEOS will notify Canadian North promptly, indicating in such notice the nature of the discrepancy and, to the extent it can be determined, the correct charges which are believed to be due.

5.4 Subject to Section 5.5, Canadian North shall pay the full amount of invoices. Invoices not paid within the allotted time as specified in Annex C shall be considered overdue. All overdue payments shall bear interest at a rate of one and half percent (1.5%) per month (eighteen percent (18%) per annum) until paid, without prejudice to AVEOS' right to terminate this Agreement for non-payment of charges when due, including service charges and interest on overdue accounts.

5.5 In the event that Canadian North reasonably believes that an error(s) has been made in an invoice sent by AVEOS to Canadian North, the following process shall apply:

5.5.1 Canadian North shall notify AVEOS in writing of the nature of the alleged error(s) within fifteen (15) Business Days of the date of receipt of invoice. Such notice shall be addressed to:

By Mail/Courier
AVEOS Fleet Performance Inc.
AVEOS Headquarters Building
2311 Boulevard Alfred-Nobel
Saint-Laurent, QC
Canada H4S 2B6

Attn: Director, Account Management
Fax: (514) 856-7427

5.5.2 Upon receipt of such notice, AVEOS shall authorise Canadian North to deduct only such amount(s) which are in dispute from the total amount of such invoice, pending investigation of the alleged error(s).

5.5.3 AVEOS shall conduct an investigation and notify Canadian North of the outcome of such investigation. The Parties will meet and use commercially reasonable efforts to resolve the dispute within thirty (30) days. If an invoice adjustment is warranted, AVEOS shall issue a credit invoice to cover the amount adjusted. Canadian North shall pay the difference between the amount in question and the amount of the adjustment within thirty (30) days of such notice.

- 5.6 At the termination of this Agreement, any amounts owed by one Party to the other Party will first be set-off against outstanding invoices or credits with any balance remaining payable within thirty (30) days of the termination of the Agreement.
- 5.7 Material prices relative to any Out-of-Scope Work performed shall be subject to change in accordance with the latest OEM listed price from usual suppliers for such material.

6. RECORDS

- 6.1 Canadian North shall maintain all required records for installed Equipment covered by this Agreement in accordance with Transport Canada requirements. Canadian North shall also advise AVEOS by writing of irregularities or trends related to Work for which AVEOS is responsible hereunder.
- 6.2 AVEOS shall keep accurate records in accordance with AVEOS' and Canadian North's procedures for all Services performed by AVEOS on the Equipment as well as any additional records that the Parties agree may be required. AVEOS shall retain such records of Transport Canada/FAA compliance for two (2) years, then send them to Canadian North, for retention or disposal, at the discretion of Canadian North.
- 6.3 If Canadian North delivers Equipment with less than a full complement of accessory parts, the checklist accompanying such Equipment shall indicate such deficiencies and Canadian North shall thereupon rectify such deficiencies. Any delay in completing the Work due to the failure of Canadian North to remedy such deficiencies will be added to the time allotted for the provision of the Work.
- 6.4 At all reasonable times, and upon prior written request to the other Party, either Party may inspect the facilities, inspection system and records of the other Party relevant to the Equipment on which Work is performed hereunder. Neither Party is bound by this Agreement to make any such inspection and shall not incur any liability or obligation by reason of the fact that no inspection is made.
- 6.5 At their discretion, Canadian North's regulatory transportation authority may inspect the facilities, inspection system and records of AVEOS relevant to the Equipment on which Work is performed hereunder.

7. MODIFICATIONS

- 7.1 Canadian North shall have the exclusive responsibility for establishing the basic minimum modification standard in respect of any Work performed on Equipment.
- 7.2 Canadian North shall be responsible for any change to such modification standards and such changes shall be valid only when confirmed in writing by Canadian North to AVEOS in accordance with the procedures outlined in Annexes B-1 through B-5.
- 7.3 Canadian North shall have responsibility for compliance with all modifications and Airworthiness Directives and if requested by Canadian North, AVEOS shall perform all

modifications, mandatory or otherwise, including but not limited to, those required under Airworthiness Directives and Service Bulletins. AVEOS shall perform all non-mandatory items only as further agreed to in writing by Canadian North and AVEOS using the CMA process as outlined in Annexes B1 to B5. Compensation to AVEOS will be in accordance with the rates set out in Annex C, Section 1.3.

8. MOVEMENT OF EQUIPMENT

- 8.1 All Equipment requiring Work shall be delivered by Canadian North to the appropriate mutually agreed upon AVEOS Facility and redelivered to Canadian North by AVEOS at the same Facility or as specifically set out in the Annexes to this Agreement.
- 8.2 For Canadian North AOG situations, Canadian North shall communicate immediately with AVEOS AOG Desk at (866) 826-6807 for order of Parts and status of serviceable Components.

9. CUSTOMER'S REPRESENTATIVE

- 9.1 Canadian North shall assign a representative who shall be fully knowledgeable and experienced with Canadian North's maintenance program and its standards. Canadian North's representative shall be qualified (or his/her delegate) and authorized to:
 - 9.1.1. request or to agree to Out-of-Scope Work to be performed under this Agreement; such work to be mutually agreed in writing as outlined in Annexes B-1 through B-5;
 - 9.1.2. to render final decisions in consultation with Canadian North's maintenance group as to the correction or other disposition on non-routine items;
 - 9.1.3. to maintain jointly with AVEOS a recording procedure for all materials placed on or removed from Canadian North's Equipment; and
 - 9.1.4. to represent Canadian North in all routine and non-routine matters pertaining to the performance or acceptance of Work.
- 9.2 In the absence of a Canadian North on site representative, AVEOS will contact Canadian North's Maintenance Control Center at (403)444-9239, or such other number as Canadian North may notify AVEOS from time to time for support. If AVEOS is unable to obtain a decision from Canadian North within twenty-four (24) hours, AVEOS may make a decision on behalf of Canadian North to ensure serviceability of Equipment, where applicable, and Canadian North shall be responsible for payment for Work performed by AVEOS in such circumstances.

10. WARRANTY AND ADMINISTRATION

- 10.1 Relative to any Component Maintenance Work, as described in Annex B-3, performed under this Agreement or Component Maintenance Work performed within thirty (30) days of this Agreement's termination or expiration, AVEOS warrants that such Work

performed shall be free from defects in workmanship for a period of twelve (12) months from the date of Work Completion, or twelve hundred (1,200) Flight Hours, whichever shall first occur.

- 10.2** Relative to any Heavy Airframe Maintenance Work, as described in Annex B-1, performed under this Agreement, AVEOS warrants that such Work performed shall be free from defects in workmanship for a period of twelve (12) months from the date of Work Completion, or twelve hundred (1,200) Flight Hours, whichever shall first occur. In cases where Canadian North finds workmanship issues not easily identifiable or accessible immediately following completion of the Work, the above warranty shall be extended to cover these situations arising to the next C-Check-HMV events.
- 10.3** Relative to any Engine and APU Maintenance Work as described in Annex B-2, performed under this Agreement, AVEOS warrants that such Work shall be free from defects in workmanship for a period of twelve (12) months from the date of Work Completion, or twelve hundred (1,200) Flight Hours or one thousand (1,000) cycles, whichever shall first occur.
- 10.4** Relative to any Line Maintenance Work, as described in Annex B-4, performed under this Agreement or Line Maintenance Work performed within thirty (30) days of this Agreement's termination or expiration, AVEOS warrants that such Work performed shall be free from defects in workmanship for a period of twelve (12) months from the date of Work Completion, or twelve hundred (1,200) Flight Hours, whichever shall first occur.
- 10.5** AVEOS' liability and Canadian North's remedy under the warranty set out in Sections 10.1, 10.2, 10.3 and 10.4 above, are expressly limited to the cost of labour to rectify any defective Work performed by AVEOS or any of its subcontractors and replacement of Equipment which have been rendered unserviceable as a direct result of defective workmanship by AVEOS including Equipment within the same unit within the same System as defined in ATA Spec. 100 and those directly related Components and Parts within the same system which have been rendered unserviceable by the failure of such Equipment. Such warranty shall be effective only if the allegedly defective Equipment giving rise to Canadian North's claim is returned to the Facility, as designated by AVEOS, within thirty (30) days of discovery of the defect causing the claim for warranty together with particulars, in writing, of the cause of the failure or damage, and all information, data, records and particulars thereof as reasonably necessary to demonstrate to AVEOS' reasonable satisfaction that such failure or damage was the direct result of defective workmanship on the part of AVEOS. In no event shall AVEOS be liable for any indirect, incidental, special or consequential damages, including without limitation, lost revenues, lost profits, loss of use or loss of bargain.

- 10.6 This warranty set out in Sections 10.1, 10.2, 10.3 and 10.4 above, shall be effective only if:
- 10.6.1. Canadian North has met its obligations as set out in Section 3 of this Agreement.
 - 10.6.2. The Equipment has been used under normal operating conditions in accordance with the manufacturer's specifications or limitations, and has not been subject to misuse; and
 - 10.6.3. In the case where the Equipment has been repaired or modified by anyone other than AVEOS or its subcontractors, Canadian North can demonstrate to AVEOS' reasonable satisfaction that such Repairs or modifications by such third Party did not cause or contribute to the failure or defect in question.
- 10.7 AVEOS shall have the sole right, acting reasonably, to determine whether a defective warranted Component or Part shall be Repaired or scrapped.
- 10.8 AVEOS does not warrant Parts furnished to AVEOS by any supplier and used pursuant to the terms and conditions of this Agreement; however, AVEOS shall assign to Canadian North any assignable warranty rights available for such Parts sold by AVEOS to Canadian North.
- 10.9 In the event Canadian North elects to appoint AVEOS to file a claim under a vendor's or manufacturer's warranty, upon delivery of Equipment to AVEOS, Canadian North shall advise AVEOS whether such Equipment is subject to claims pursuant to applicable vendor's or manufacturer's warranty and, if so, shall provide all documentary evidence to support such claim or claims. AVEOS shall advise Canadian North of any discrepancy found that may be potentially warrantable.
- 10.10 THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF AVEOS AND THE REMEDIES OF CANADIAN NORTH SET FORTH IN THIS ARTICLE PERTAINING TO WARRANTY AND ADMINISTRATION ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND CANADIAN NORTH HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES AND OBLIGATIONS OF AVEOS AND RIGHTS, CLAIMS AND REMEDIES OF CANADIAN NORTH AGAINST AVEOS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMANCE OR DEFECT IN ANY WORK OR SERVICES PERFORMED UNDER THIS AGREEMENT OR ANY OTHER THINGS DELIVERED HEREUNDER, INCLUDING BUT NOT LIMITED TO:
- (a) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE
 - (b) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE
 - (c) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF AVEOS, ACTUAL OR IMPUTED EXCEPT WHERE DUE TO, CAUSED BY OR ARISING FROM THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF AVEOS, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR SUBCONTRACTORS, AND

- (d) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY EQUIPMENT, OR FOR LOSS OF USE, REVENUE OR PROFIT WITH RESPECT TO ANY EQUIPMENT, OR FOR ANY OTHER INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

10.11 Canadian North acknowledges that this Article pertaining to WARRANTY AND ADMINISTRATION and the Article pertaining to LIABILITY AND INDEMNITY have been the subject of discussion and negotiation and are fully understood by the Parties, and that the cost of the Work performed under this Agreement and other things delivered hereunder, and the other mutual agreements of the Parties set forth in this Agreement were arrived at in consideration of the provisions of this Article pertaining to WARRANTY AND ADMINISTRATION, specifically including the waiver, release and renunciation by Canadian North set forth in the previous Section, and the indemnity provisions of the Article pertaining to LIABILITY AND INDEMNITY.

10.12 No Agreement varying or extending the foregoing warranties, remedies or limitations is binding upon AVEOS unless in writing, signed by a duly authorized officer of AVEOS.

11. LIABILITY AND INDEMNITY

- 11.1 AVEOS' liability in connection with the Work performed under this Agreement shall be limited in accordance with Section 10.5 in the Article pertaining to WARRANTY AND ADMINISTRATION and AVEOS shall not be liable for any claims, demands, suits, losses, damages, causes of action, fines or judgments (including related expenses and legal costs) relating to loss of or damage to any property, including but not limited to the Equipment, or any delays in transportation or services offered by Canadian North, or for death of or injury to any person or persons resulting from or arising out of or in connection with the Work performed under this Agreement, unless the same are due to the gross negligence or wilful misconduct of AVEOS, its directors, officers, employees, agents or subcontractors.
- 11.2 Subject to Section 11.3, Canadian North shall defend (if required to do so by AVEOS), indemnify and hold harmless AVEOS and each of its Affiliates and each of their directors, officers, employees, agents and subcontractors from and against any and all claims, demands, suits, losses, damages, causes of action, fines or judgments (including related expenses and legal costs) relating to loss of or damage to any property, including but not limited to the Equipment, or any delays in transportation or services offered by Canadian North, or for death of or injury to any person or persons resulting from or arising out of or in connection with (i) this Agreement or (ii) the Work performed under this Agreement, or (iii) any incident relating to the Equipment or any use or operation of the Equipment, whether by Canadian North or any third party, except to the extent the same are finally determined to be due to the gross negligence or wilful misconduct of AVEOS, its directors, officers, employees, agents or subcontractors.
- 11.3 Notwithstanding any other provision of this Agreement other than Section 11.4, AVEOS shall be fully responsible for all loss and/or damage occurring to Canadian North's Equipment while in the custody, control or possession of AVEOS or any third party

property damage caused by AVEOS during the movement of Canadian North's Equipment, to the extent such loss and/or damage is due to the negligence or wilful misconduct of AVEOS, its directors, officers, employees, agents or subcontractors. AVEOS shall not be responsible for loss or damage resulting from normal wear and tear and depreciation while in AVEOS' custody.

- 11.4 AVEOS, its Affiliates and each of its directors, officers, employees, agents and subcontractors shall not be liable for any incidental, special or consequential damages under any circumstances whatsoever.

12. INSURANCE

- 12.1 Canadian North shall, at its own expense, maintain in full force and effect comprehensive aviation liability and property damage insurance, including but not limited to aircraft liability, passenger legal liability, premises liability, contractual liability products and completed operations liability covering the liability assumed by the Canadian North under this Agreement. Such insurance shall be on terms and conditions and through insurers reasonably satisfactory to AVEOS and shall be in an amount of not less than seven hundred fifty million (\$750,000,000) Dollars CAD, for any one occurrence. Canadian North shall insure Equipment against physical loss or damage as would a prudent owner.

- 12.2 Canadian North shall provide AVEOS with Certificates of Insurance issued by insurance brokers satisfactory to AVEOS prior to delivery of the Equipment evidencing that such insurance companies comply with the terms and conditions of this Section 12 and is endorsed as required by the terms of this Section 12:

12.2.1. AVEOS, its officers, directors, employees, agents and sub-contractors are included as additional insureds under all legal liability coverage and the Insurers of such coverage agree that, except for the limits of liability, the insurance shall operate as if there were a separate policy issued to each insured;

12.2.2. The applicable policies will afford such coverage notwithstanding the breach of any warranties, conditions or terms contained in such policies by Canadian North or any other person in the employ of or under the direction, supervision or control of Canadian North;

12.2.3. The insurers accept that all rights of subrogation are waived against AVEOS, its officers, directors, employees, agents and sub-contractors;

12.2.4. The insurers agree that AVEOS shall not be liable for, nor have any obligation to pay any premium hereunder, and the Insurers further agree that they shall not offset or counter-claim for any unpaid premium against the interest of AVEOS;

12.2.5. The insurers agree that Canadian North's insurance shall be primary insurance without any right of contribution from any other insurance carried by AVEOS;

12.2.6. If any insurance coverage is cancelled or materially changed for any reason whatever, the insurers shall promptly notify AVEOS in writing to that effect and such cancellation or material change shall not be effective as to AVEOS, its officers, employees, agent and sub-contractors for thirty (30) days following receipt by AVEOS of such notice, except in the case of cancellation for non-payment of premiums which shall be subject to ten (10) days notice of

cancellation and allied perils or war risks coverage which shall be subject to seven (7) days notice of cancellation.

- 12.3 AVEOS shall, at its sole cost and expense, procure and maintain in full force and effect during the term of this Agreement comprehensive insurance (including Aviation Products and Grounding Liability and Premises and Hangerkeepers Legal Liability insurance) having a combined single limit of not less than US\$250,000,000 for any one occurrence or in the aggregate per year.

13. **FORCE MAJEURE**

- 13.1 Neither Party shall be deemed in default in any of its undertakings herein if the carrying out of such undertaking has been prevented or delayed by acts in the nature of force majeure, which for the purpose of this Agreement shall include but shall not be limited to: acts of God or the public enemy, labour unrest causing cessation (other than by AVEOS personnel), slowdown or interruption of work, riots; civil commotion; armed aggression; insurrections; acts of terrorism; wars; floods; fires; explosions; serious accidents; earthquakes or other catastrophes; epidemics or quarantine restrictions; action of any government or governmental authority; or if the carrying out of such undertaking has been prevented or delayed by a cause beyond the reasonable control of AVEOS or Canadian North. Each Party shall notify the other of the occurrence of such delay, and the expected duration of any delay as soon as reasonably possible; provided, however, that none of the terms or conditions of this Article pertaining to FORCE MAJEURE suspend or diminish Canadian North's obligation to make payment to AVEOS for Work performed by AVEOS under this Agreement as such payments fall due.
- 13.2 Notwithstanding the preceding Section, and Section 1.1 of the Article pertaining to PROVISION OF SERVICES, Canadian North may, upon receipt of notice and at Canadian North's expense, employ another agency to perform work only for the duration of a delay resulting from force majeure; provided, however, that any Work commenced during the period of force majeure may, in Canadian North's sole discretion, be completed without Canadian North being in breach of its obligations hereunder.
- 13.3 In the event of a strike by AVEOS' personnel, AVEOS shall be responsible for ensuring the Work continues for the duration of the strike, provided that AVEOS and Canadian North work diligently to mitigate the effect of such disruption. Any costs incurred by Canadian North in order to address a strike by AVEOS' personnel shall be invoiced to AVEOS for full payment. Such costs, as mutually agreed to by AVEOS and Canadian North, shall be limited to the cost of the Work itself and AVEOS shall not be responsible for any costs related to the loss of or damage to any Equipment, or for loss of use, revenue or profit with respect to any Equipment, or for any other indirect, special, incidental or consequential damages.

14. INTELLECTUAL PROPERTY RIGHTS

14.1 Except as otherwise expressly provided herein (a) each Party will retain all Intellectual Property rights that it owned or developed prior to the date hereof, or acquired or developed after the date hereof, (b) no such Intellectual Property rights shall be used by the other Party except as authorized hereunder or for the purpose of performing or receiving Services hereunder. For greater certainty, each of AVEOS and Canadian North acknowledges that any and all logos, trademarks, service marks, trade names and other identification of the other, whether registered or not, are and shall at all times remain the exclusive property of the owner thereof and may not be used without prior written consent of its owner.

15. INSOLVENCY OR BANKRUPTCY

In the event that either AVEOS or Canadian North:

15.1 Makes a general assignment for the benefit of creditors or becomes insolvent; files a voluntary petition in bankruptcy; petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets; commences under the laws of any jurisdiction proceedings relating to insolvency, bankruptcy, reorganization, readjustment of debt, dissolution, liquidation or any other similar proceedings, or

15.2 Becomes the object of any proceeding or action of the type described above and such proceedings or action remain undismissed or unstayed for a period of sixty (60) days;

then the other of Canadian North or AVEOS may terminate this Agreement, with the effective date of termination being the date of receipt of notice to the other Party.

16. DEFAULT

If either Party shall refuse to remedy the cause(s) for default, neglect or fail to perform, observe or keep any of the covenants, agreements, terms or conditions herein on its part to be performed, observed or kept, and such refusal, neglect or failure shall continue for a period of fifteen (15) days in the case of non-payment of money, and ninety (90) days in all other cases, after written default notice thereof, the other Party shall have the right in addition to any other rights or remedies it may have pursuant to this Agreement or at law, to terminate this Agreement immediately upon written notice, with the effective date of termination being the date of receipt of the termination notice to the other Party.

17. SURVIVAL

Canadian North's and AVEOS representations, warranties, indemnification, liquidated damages, payment and confidentiality obligations will continue in full force and effect notwithstanding any

expiration or termination of this Agreement and are expressly made for the benefit of and will be enforceable by AVEOS and Canadian North, as applicable. Furthermore, any provision of this Agreement which contemplates performance or observance subsequent to any termination or expiration of this Agreement shall survive any termination or expiration of this Agreement and continue in full force and effect.

18. TITLE OF PROPERTY

Title to AVEOS furnished Parts or Components shall pass to Canadian North upon incorporation into the Equipment, and simultaneously, title to Parts or Components removed from the Equipment shall pass to AVEOS. Without further act or obligation on the part of Canadian North, AVEOS shall dispose of all scrapped or condemned Parts or Components removed from the Equipment. All Parts, Components and materials exchanged or installed herein shall be free and clear of all liens, charges, encumbrances and security interests whatsoever.

19. LIEN RIGHTS

The period of credit allowed for payment by Canadian North for Work performed hereunder as specified in Section 5.5 of the article pertaining to INVOICING, CURRENCY AND BANKING shall not constitute a waiver by AVEOS of any lien rights accruing to AVEOS in relation to any Canadian North Equipment on which Work has been performed hereunder, and shall not in any manner affect, prejudice or diminish such lien rights irrespective of whether or not such Equipment has been released or removed from AVEOS' custody and control.

20. DUTIES AND TAXES

- 20.1** Canadian North shall be responsible for any and all sales taxes, use taxes, imposts, withholdings, duties, or any other taxes or similar charges levied by any government or similar authority or by Canadian North's own governmental authorities on or in connection with any of the Work performed hereunder or things delivered under this Agreement, except for taxes levied in Canada by any Canadian governmental authority based on AVEOS' net income. Applicable taxes will be separately identified in each invoice.
- 20.2** Canadian North further agrees to defend, indemnify and hold AVEOS harmless from and against the aforesaid taxes, duties and charges as a result of the Work performed hereunder or other things delivered under this Agreement, and all legal fees, costs and expenses incurred in connection therewith.
- 20.3** If a claim is made against AVEOS for such taxes, duties or charges, AVEOS shall promptly notify Canadian North. If requested by Canadian North in writing, AVEOS shall not pay any such assessment or penalty or interest thereon except under protest, and if payment is made, AVEOS shall use reasonable efforts to obtain a refund thereof, or permit Canadian North to protest such payment in AVEOS' name. If all or any part of such assessment, penalty or interest be refunded, AVEOS shall repay to Canadian North so much thereof as Canadian North shall have paid. Canadian North shall pay to AVEOS upon demand Canadian North's proportionate share of all expenses incurred by AVEOS to protest such payment or obtain a refund thereof.

21. MUTUAL REPRESENTATIONS AND WARRANTIES

The Parties represent and warrant to the other Party that:

- 21.1 It is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has the corporate power and authority to enter into and perform its obligations under this Agreement.
- 21.2 This Agreement has been duly authorized by all the necessary corporate action and does not require any additional approval or consent and neither the execution and delivery of this Agreement nor the carrying out of its obligations hereunder or compliance with any terms thereof, will contravene any law, judgement, governmental rule, regulation, or order applicable or agreement to which the representing Party is party.

22. GENERAL

- 22.1 In the event of any inconsistency or conflict among the provisions of the Agreement and the provisions of any Annex or Exhibit attached hereto, the provisions of the Agreement shall prevail.
- 22.2 It is agreed that this Agreement and its Annexes and Exhibits hereto embody the entire agreement of the Parties hereto with regard to the matters dealt with herein and that no understandings or agreements written or otherwise exist between the Parties, except as herein expressly set out.
- 22.3 No change or modification to this Agreement, or its Annexes and Exhibits shall be valid unless in writing and signed on behalf of each Party hereto by their duly authorized representatives.
- 22.4 The Parties hereto agree that each of them shall upon the reasonable request of the other Party make, endeavor to do, execute or cause to be made, done or executed such other lawful acts, instruments, things, devices and assurances whatsoever for the better or more perfect performance of the terms and conditions of this Agreement.
- 22.5 Neither Party shall be entitled to assign or transfer this Agreement or any part of its rights or obligations hereunder, without the other Party's prior written consent, which shall not be unreasonably withheld or delayed, provided, however, that AVEOS shall be entitled to assign or transfer this Agreement to (i) any of its Affiliates, or (ii) to any direct or indirect acquirer of all or substantially all of its assets or any direct or indirect acquirer of a majority of AVEOS' issued and outstanding voting securities, whether by way of takeover bid, amalgamation, arrangement, merger or otherwise (hereinafter referred to as the "Acquirer") without the consent of Canadian North, in which case the obligations, duties and liabilities of AVEOS to Canadian North under this Agreement shall be transferred to such Affiliate or Acquirer, as the case may be, and Canadian North shall accordingly release AVEOS from any and all of its obligations, duties and liabilities under this Agreement.

- 22.6** The failure of either Party to enforce at any time any of the provisions of this Agreement, or to require at any time performance by the other Party of any of the provisions hereof, shall not be construed to be a present or future waiver of such provisions, nor in any way to affect the validity of this Agreement or any part thereof, or the right of the other Party thereafter to enforce each and every such provision. The waiver by either Party of any provision, condition or requirement of this Agreement shall not constitute a waiver of any future obligation to comply with such provision, condition or requirement and shall not be valid unless in writing and signed by a duly authorized representative of each Party.

23 GOVERNING LAW

- 23.1** This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein excluding its conflict of law provisions, irrespective of the place of execution hereof or the location at which any Work hereunder is performed. Subject to the foregoing, the terms of this Agreement shall be interpreted in accordance with the ordinary and usual meaning of the words as they are commonly used in the airline industry.
- 23.2** The Parties hereby agree to attorn to the appropriate jurisdictions of the Courts of the Province of Quebec, Canada, judicial district of Montreal, in the event of any disputes or claims whatsoever arising hereunder or as a result of any Work performed pursuant to this Agreement.
- 23.3** Canadian North hereby waives any and all of its rights pursuant to Article 2125 of the Civil Code of Québec and the UN Convention on Contracts for International Sale of Goods.

24 LANGUAGE OF CONTRACT

The Parties agree that this Agreement and all documents relating thereto shall be written in the English language only.

Les Parties acceptent que ce contrat et tous les documents qui s'y rattachent soient rédigés en langue anglaise seulement, sauf cette phrase.

25 TERM AND TERMINATION

- 25.1** This Agreement shall be effective from January 1st, 2009 (the "Effective Date") and shall continue in full force and effect for a period of seven (7) years thereafter (the "Term") unless earlier terminated in accordance with Sections 15 or 16.
- 25.2** Unless the Agreement is terminated pursuant to Sections 15 or 16 the Parties shall enter into negotiations at least 180 days prior to the end of the Term of this Agreement to try to reach mutual agreement on the terms and conditions for a renewal or orderly transition out of this Agreement.

26 **COUNTERPART**

This Agreement may be executed in several counterparts and copies may be sent to the other Party by facsimile, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

27 **CONFIDENTIALITY / NON-DISCLOSURE**

27.1 Each Party (the "Disclosing Party") hereby acknowledges and agrees that it may, from time to time, disclose to the other Party (the "Receiving Party") such Confidential Information as the Disclosing Party considers necessary pursuant to this Agreement. "Confidential Information" includes all information, in any form, furnished or made available directly or indirectly by Disclosing Party to Receiving Party that is (i) marked confidential, restricted, proprietary, or with a similar designation, or (ii) disclosed orally and identified as confidential at the time of disclosure; or (iii) by its nature or the circumstances surrounding disclosure ought to be reasonably treated as Confidential Information. Confidential Information shall include all patents and patent applications, trade secrets, copyrighted information, price lists, information relating to financial and fiscal matters, business plans, data, materials, products, technology, computer programs, specifications, manuals, ideas, techniques, processes, know-how, inventions, models, drawings, algorithms, source code documents and other information disclosed or submitted in writing, orally or by any other tangible media. Any such materials, documents and information that were delivered to a Party prior to the date of this Agreement in connection with the performance of this Agreement are Confidential Information.

27.2 During the term of this Agreement, the receiving Party may use the Confidential Information strictly in connection with the intent of the Agreement and not use the Confidential Information for any other purpose whatsoever. The receiving Party may make a limited number of copies of the Confidential Information as is necessary to perform its obligations or have the benefit of its rights under any of the Agreement. All copies made will reproduce the restrictive legends on the original.

27.3 Confidential Information shall not include the following (the "Non-Confidential Information"):

27.3.1 any information that is in the public domain at the date of disclosure by Disclosing Party to the Receiving Party or which, after such disclosure, enters the public domain through no breach of any obligation owed Disclosing Party (but only after it enters the public domain);

27.3.2 any information that the Receiving Party can prove is already known to Receiving Party at the time of Disclosing Party's disclosure of such information to Receiving Party;

27.3.3 any information that the Receiving Party can prove became known to Receiving Party from a source other than Disclosing Party other than by the breach of any obligation of confidentiality owed to Disclosing Party;

or

27.3.4 any information that the Receiving Party can prove is independently

developed by Receiving Party without reference to Disclosing Party's Confidential Information and without breach of this Agreement;

provided, however, where any combination of information disclosed contains both Confidential Information and Non-Confidential Information, such combination shall be deemed to be Confidential Information.

- 27.4** The Receiving Party shall be entitled to disclose Confidential Information if required by a court of competent jurisdiction or regulatory body provided that (i) the Receiving Party shall take such steps as are necessary to maintain the confidentiality by such court or regulatory body and (ii) the Receiving Party shall provide the Disclosing Party with immediate written notice of any request or anticipated request for disclosure so as to permit the Disclosing Party to seek a protective order or other appropriate remedy. Notwithstanding anything to the contrary, each Party shall be entitled to make such disclosures as required under applicable securities legislation or as it deems appropriate for the purpose of complying with applicable securities legislation.
- 27.5** The Receiving Party acknowledges that the Disclosing Party may suffer irreparable harm as a result of breach of any of the non disclosure and confidentiality clauses contained herein and that legal remedies may be inadequate, therefore the Receiving Party agrees that, in addition to any damages and other remedies that the Disclosing Party may be entitled to as a result of such a breach, the Disclosing Party may be entitled to an order from a court of competent jurisdiction restraining the Receiving Party from breaching or continuing to breach any of those provisions.
- 27.6** Within 180 days after the termination of an Agreement and/or upon written request of the disclosing Party, the receiving Party will return to the disclosing Party all of the disclosing Party's Confidential Information and all copies thereof. If not returned, the receiving Party will destroy and provide a written confirmation of destruction to the disclosing Party. Each Party shall be entitled to retain a copy of such for record purposes only.
- 27.7** The Parties may disclose Confidential Information including the specific terms of the Agreement to their professional advisors, provided that such professional advisors shall not be permitted to retain any copies of any Confidential Information, this Agreement or to disclose same to any third party. The Disclosing Party shall be responsible for any breach of this Agreement caused by those professional advisors.
- 27.8** Canadian North hereby authorizes AVEOS and its affiliates, to identify Canadian North as a customer of AVEOS in marketing activities, customer lists or similar promotional materials; either presented in a non-stylized format, logo, trademark or service mark. Notwithstanding the limited use permitted in this Section, Canadian North reserves all rights to its names, symbols, trademarks, service marks, logos and or any other intellectual property, whether presently existing or hereinafter established. Public announcements, press releases or other communication shall be with the prior written consent of the other Party. Notwithstanding anything to the contrary contained in this Agreement, the Parties acknowledge and accept that AVEOS or its Affiliates shall be entitled to make all such disclosures as it considers necessary or desirable pursuant to applicable laws, regulations or rules or pursuant to the rules, decisions, orders or requests

of applicable securities or other regulatory bodies.

28. DISPUTE RESOLUTION PROCEDURE

28.1 Subject to Section 5.5, any dispute between the Parties arising out of or relating to this Agreement (a “Dispute”), including with respect to the interpretation of any provision hereof and with respect to the performance by AVEOS or Canadian North, shall be resolved as provided in this Section.

28.1.1 Informal Dispute Resolution

(a) Prior to the initiation of any formal proceedings, upon the written request of a Party, AVEOS and Canadian North shall meet to discuss and resolve the dispute. If such individuals do not resolve the dispute within ten (10) Business Days after such written notice, the Parties shall escalate the dispute to AVEOS’ Chief Commercial Officer and Canadian North’s Vice President Operations or his designee. If AVEOS’ Chief Commercial Officer and Canadian North’s Vice President Operations or his designee do not resolve the dispute within ten (10) Business Days after the date of such escalation, the Parties shall further attempt to resolve their dispute informally, as follows:

- (i) Upon the written request of a Party, each Party shall, within five (5) Business Days, appoint a designated representative who does not devote substantially all of his or her time to performance under this Agreement, whose task it shall be to meet for the purpose of endeavouring to resolve such dispute.
- (ii) The designated representatives shall meet as often as the Parties reasonably deem necessary in order to gather and furnish to the other all information with respect to the matter in issue which the Parties believe to be appropriate and germane in connection with its resolution. The representatives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
- (iii) During the course of such discussions, all reasonable requests made by one Party to the other for non-privileged information, reasonably related to the issue in dispute under this Agreement, shall be honoured in order that each of the Parties may be fully advised of the other’s position.
- (iv) The specific format for the discussions shall be left to the discretion of the designated representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(b) Arbitration of a dispute or any other legal proceedings may not be commenced by either Party until the earlier to occur of the following:

- (i) The date that either of the designated representatives described above conclude in good faith that amicable resolution through continued negotiation of the matter does not appear likely; or
 - (ii) Thirty (30) Days have elapsed from the initial request to appoint a designated representative (this period shall be deemed to run notwithstanding any claim that the process described in this Section was not followed or completed).
- (c) This Section shall not be construed to prevent a Party from instituting, and a Party is authorised to institute, legal proceedings or arbitration earlier, but only:
- (i) if required to avoid the expiration of any applicable limitations period or to preserve a superior position with respect to other creditors;
 - (ii) where a Party makes a good faith determination that a breach of the terms hereof by the other Party is such that the damages to such Party resulting from the breach shall be so immediate, so large or severe, and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

If a Party files a pleading with a court seeking immediate injunctive relief and this pleading is challenged by the other Party and the injunctive relief sought is not awarded in substantial part, the Party filing the pleading seeking immediate injunctive relief shall pay all of the reasonable costs and attorneys' fees of the Party successfully challenging the pleading.

28.1.2 Arbitration

Notwithstanding the time limits set out above, if the Parties do not reach a solution within a period of thirty (30) Business Days after the circumstances giving rise to the Dispute originated or occurred (the "Resolution Date"), at the request of a Party and on agreement by the other Party, the Dispute may be referred to binding arbitration in accordance with the Arbitration provisions below. Judgment upon the award rendered in any such arbitration may be entered in any court having jurisdiction thereof, or application may be made to such court for a judicial acceptance of the award and enforcement, as the law of such jurisdiction may require or allow.

28.2

ARBITRATION PROCEDURES: If, at any time, the Parties are unable to resolve any disagreement arising under this Agreement, such disagreement may, upon agreement by both Parties, be submitted to mandatory and binding arbitration by a single arbitrator pursuant to rules below and the applicable arbitration act in the province of Quebec (the "Arbitration Act"). To the extent that the rules below are inconsistent with the Arbitration Act, the rules below shall prevail:

(a) **Selection of Arbitrator.** The Parties shall attempt to agree on an individual arbitrator familiar with Quebec law and the subject matter in dispute (a "Qualified Arbitrator"). The Qualified Arbitrator must be (i) "independent," i.e., not having at that time or at any time within the immediately preceding five (5) years a substantial relationship with any Party to the arbitration, any Affiliate of any such Party, or any officer or director of any such Party or Affiliate, (ii) a lawyer licensed in the Province of Quebec having at least ten (10) years experience; fluent in the English language, and (iii) knowledgeable in the areas of the Agreement. If the Parties do not agree upon a Qualified Arbitrator within seven (7) Days after the date of agreement to submit to binding arbitration, then either Party shall have the right to apply, on notice to the other Party, to a judge of the Superior Court of Quebec for the appointment of a single Qualified Arbitrator. In connection with such application, the Parties may place before the judge a list of up to four (4) independent potential arbitrators of which two (2) names shall be submitted by each Party, from which list the judge shall select a single Qualified Arbitrator. In light of the fact that time is of the essence in the arbitration proceeding, the Parties agree to use all commercially reasonable efforts to have the Qualified Arbitrator selected by the judge within fifteen (15) Days of the date of reaching agreement to submit to binding arbitration, and in any case as soon as practicable.

(b) **Conduct of Arbitration.** The Qualified Arbitrator shall allow reasonable discovery in the forms permitted by the Arbitration Act, to the extent consistent with the purpose of the arbitration and the requirement that time be of the essence, as set out in (f) below. The Qualified Arbitrator shall have no power or authority to amend or disregard any provision of this Section. The Qualified Arbitrator shall provide the Parties with the rules of evidence and procedure for the arbitration hearing and, to the extent appropriate, shall in his or her sole discretion, consider using the rules of evidence and procedure applicable in Quebec to the same extent applicable in the courts of Quebec, in each case consistent with the requirement that time be of the essence, as set out in (f) below. The arbitration hearing shall be commenced promptly and conducted expeditiously, with each of the Parties being allocated equal time for the presentation of their cases. Unless otherwise agreed to by the Parties, an arbitration hearing shall be conducted on consecutive days. The Parties shall attempt to agree in advance on a maximum time period for the conduct of the arbitration hearing, but in no event shall an arbitration hearing exceed five (5) Business Days unless the Qualified Arbitrator reasonably believes that the arbitration hearing should exceed such time period, in which case such hearing shall in no event exceed thirty (30) Days. The Qualified Arbitrator may choose one or more experts to provide advice and assistance.

(c) **Replacement of Arbitrator.** Should the Qualified Arbitrator refuse or be unable to proceed with arbitration proceedings as called for by this Section, such arbitrator shall be replaced by another Qualified Arbitrator selected by repeating the process of selection described in Section (a) above. The Parties agree to use all commercially reasonable efforts to have such replacement Qualified Arbitrator selected within twenty one (21) Days of notice of such refusal or inability. If a Qualified Arbitrator is replaced pursuant to this Section (c), then a rehearing shall take place in accordance with the provisions of this Section.

(d) **Findings and Conclusions.** The Qualified Arbitrator rendering judgement upon disputes between Parties as provided in this Section shall, after reaching judgement and

award, prepare and distribute to the Parties within fifteen (15) Days following the conclusion of the hearing, a writing describing the findings of fact and conclusions of law relevant to such judgement and award and containing an opinion setting forth the reasons for the giving or denial of any award. The award of the Qualified Arbitrator shall be final and binding on the Parties, and judgement thereon may be entered in a court of competent jurisdiction. The award shall not exceed the limitations set out in this Agreement.

(e) **Place of Arbitration Hearings; Language.** Arbitration hearings hereunder shall be held in Montreal. If the Parties agree, arbitration hearings may be held in another location. Unless mutually agreed otherwise, the arbitration hearings shall be conducted in the English language.

(f) **Time of the Essence.** The Qualified Arbitrator is instructed that time is of the essence in the arbitration proceeding, and that the Qualified Arbitrator shall have the right and authority to issue monetary sanctions against either of the Parties if, upon a showing of good cause, either Party is unreasonably delaying the proceeding, provided such monetary sanctions shall follow the award of costs. Recognizing the express desire of the Parties for an expeditious means of dispute resolution, and without expanding any of the time limits set out herein, the Qualified Arbitrator shall limit or allow the Parties to expand the scope of discovery as may be reasonable under the circumstances.

29. NOTICES

All notices and communications in connection with this Agreement shall be given in English and in writing by registered mail, facsimile or courier addressed as follows:

For AVEOS:

By Mail/Courier

AVEOS Fleet Performance Inc.
2311 Boulevard Alfred-Nobel
BAN 3
Saint-Laurent, QC
Canada H4S 2B6

Main Phone Number:	(514) 856-6767
Commercial Department Fax:	(514) 856-7427
Attention:	Senior Manager, for Canadian North
With copy to:	Manager, Commercial Contracts

For Canadian North:

Canadian North Inc.
Suite 300,
5201 – 50th Avenue,
Yellowknife, NWT X1A 3S9

Attention:	Vice President, Finance
With copy to:	Director, Maintenance

or to such other address as may be specified elsewhere herein or as the Party to receive the notice or communication shall designate by written notice to the other. Unless otherwise stated therein, the effective date of any notice or communication given in connection with this Agreement shall be deemed to be the seventh (7th) Business Day after mailing, if sent by registered mail; or two (2) days following the date of dispatch if such notice is sent by courier; on the following Business Day if sent by fax.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by their duly authorized representatives effective as of the Effective Date.

**AGREED AND ACCEPTED
ON BEHALF OF:**

Canadian North Inc.

By: _____

Name: Tracy Medve

Title: PRESIDENT

**AGREED AND ACCEPTED
ON BEHALF OF:**

Aveos Fleet Performance Inc.

By: _____

Name: CHAHRAM BOLOURI

Title: PRESIDENT & CEO



ANNEX "A"

AIRCRAFT EQUIPMENT

The Aircraft covered by this Agreement are as follows:

	Model	Hull S/N	Fin Number	Registration	Engine Model
1	737-200	23074	586	C-GCNV	P & W JT8D-17 / 17A
2	737-200 Combi	22056	584	C-GDPA	P & W JT8D-17 / 17A
3	737-200 Combi	22618	583	C-GSPW	P & W JT8D-17 / 17A
4	737-200 Combi	22160	582	C-GOPW	P & W JT8D-17 / 17A
5	737-200 Combi	22877	562	C-GNDU	P & W JT8D-9A
6	737-200 Combi	21294	552	C-GFPW	P & W JT8D-9A
7	737-200	22729	523	C-GKCP	P & W JT8D-17 / 17A

The Flight Hour Rate contained in Annex C is based on a total of seven (7) B737-200 operational Aircraft. Any additions, deletions or replacements to the Aircraft listed in this Annex A will result in a re-evaluation of the Flight Hour Rate and the minimum flying hours per fleet Canadian North shall provide AVEOS with ninety (90) calendar days written notice prior to adding, deleting or replacing an Aircraft to the Equipment list of this Annex A. The addition of an aircraft is subject to AVEOS acceptance, not to be unreasonably or arbitrarily withheld, conditioned or delayed. In addition Canadian North shall provide AVEOS with the following information regarding any added, deleted or replaced Aircraft:

- a) Aircraft Model
- b) Hull Serial Number
- c) Engine Model
- d) Fin Number
- e) Canadian Registration Number
- f) Date of Delivery

ANNEX "B-1"

HEAVY AIRFRAME MAINTENANCE SERVICES

1. DESCRIPTION AND SCOPE OF C-CHECK AND HMV SERVICES PROVIDED

- 1.1 Heavy Airframe Maintenance Services means basic Heavy Maintenance Services as detailed in the Canadian North Maintenance Schedule Approval and associated work cards (hereinafter referred to as "C-Check-HMV Services"). The C-Check-HMV Services to be provided by AVEOS and included in the Fixed Rate as set out in Section 1.1 of Annex C (the "HM Workscope") include:
- 1.1.1 All C-Check-HMV Services at intervals specified in the Canadian North Maintenance Schedule Approval, including all tasks specified in the task list set out in Exhibit 4 as at July 17, 2007.
 - 1.1.2 A total of seven (7) Aircraft paint events over the Term of the Agreement, as advised by and scheduled by Canadian North on at least 90 days written notice to AVEOS;
 - 1.1.3 Repairs or replacement of seat tracks inclusive of material as required on C-Check – HMV Services events;
 - 1.1.4 An AVEOS on-site representation for the duration of each C-Check-HMV Service;
 - 1.1.5 Engineering services for C-Check–HMV Services to a maximum of one hundred (100) hours per C-Check-HMV Service;
 - 1.1.6 Airframe, APU, Engine, Parts and Component modifications, inspections and repairs in connection with SBs, ADs, Engineering Orders or modifications (the "Maintenance events") where the accumulated costs for each Maintenance Event does not exceed \$2,000.00. Maintenance Events which exceed this threshold are Out-of-Scope. The decision on whether to incorporate a non-mandatory modification shall be agreed between AVEOS and Canadian North;
 - 1.1.7 Removal and installation of hard time Components or Parts and Engines or APUs as listed in Exhibit 3;
 - 1.1.8 The assignment by AVEOS of a dedicated Manager Commercial Accounts.
- 1.2 Any changes to the C-Check-HMV Services identified in Exhibit 4 made after July 17, 2007 are subject to re-evaluation on a quarterly basis and adjustment on a shared basis of the Fixed Rates as set out in Annex C, as mutually agreed by the Parties, acting reasonably.
- 1.3 In the event of an Aircraft retirement, sale and other disposition, to the extent such sale or disposition is not made to an Affiliate of Norterra Inc. or Canadian North Inc., Canadian

North shall have the right to cancel the remaining C-Check-HMV Services for that particular Aircraft. Canadian North shall notify AVEOS in writing at least ninety (90) days prior to the Aircraft retirement, sale and other disposition. Any reasonable costs incurred by AVEOS related to the cancellation of the previously scheduled C-Check-HMV Service for that Aircraft will be charged to Canadian North.

2. SCHEDULING OF C CHECK-HMV SERVICES

- a. No later than July 31st of each year, beginning in 2009, Canadian North will provide AVEOS with the schedule of Aircraft to be delivered for C-Check-HMV Services during the period of time commencing on January 1st and ending on July 31st of the following calendar year (the "C-Check-HMV Schedule"). No later than January 31st of each year beginning in 2010, Canadian North will provide AVEOS with the C-Check-HMV Schedule of Aircraft to be delivered to AVEOS during the time period commencing on July 1st to January 31st of the following year.
- b. Within thirty (30) Days from receipt of the applicable C-Check-HMV Schedule, Canadian North and AVEOS will mutually agree on the final C-Check-HMV Schedule for such applicable six (6) month period, which will include the number and type of C Check-HMV Services.
- c. The C-Check-HMV Schedule is an estimate only. The dates are subject to change due to late release of other Aircraft and/or operational requirements. Any changes or amendments to the C-Check-HMV Schedule due to irregular operations or late deliveries will be agreed between both Parties.

3. GENERAL PROCEDURES

- 3.1 The C-Check-HMV Services to be performed on each Aircraft delivered to AVEOS shall be described in the HM Workslope executed by the Parties prior to delivery. Canadian North shall deliver to AVEOS its proposed HM Workslope for each Aircraft no later than thirty five (35) Days prior to the scheduled day of delivery of the Aircraft to the AVEOS Facility. A pre-induction planning meeting shall be convened fourteen (14) Days prior to the scheduled induction of the Aircraft. All changes to the HM Workslope will be provided to AVEOS no later than seven (7) Days prior to the delivery date.
- 3.2 Canadian North shall, at its sole cost and expense, deliver or cause to be delivered, the Aircraft to AVEOS at the AVEOS Facility together with all current technical data, manuals, work sheets, work cards, and structural repair manuals and all Airworthiness Directives, Service Bulletins, all applicable and necessary legal documentation, manuals and technical documents, and any modifications and amendments thereto, including, but not limited to, the Canadian North Maintenance Control Manual ("MCM"), Canadian North's Aircraft Maintenance Manual ("AMM"), the Illustrated Parts Catalogue ("IPC"), the Structural Repair Manual ("SRM"), the Wiring Diagram Manual ("WDM"), the Minimum Equipment List ("MEL"), and any and all engineering orders and other published technical data that is applicable to Canadian North's Aircraft for AVEOS to perform the C-Check-HMV Services hereunder and any modifications and amendments thereto (collectively referred to as the "Documentation").

- 3.3 The HM Workslope shall be performed on the Aircraft in accordance with the standards set forth in this Agreement and Canadian North's requirements and instructions. AVEOS or its subcontractors shall supply all necessary labour for the performance of such HM Workslope. Tasks or Work outside the agreed HM Workslope (the "HM Out-of-Scope Work") shall be itemized on a Customer Maintenance Authorization form (CMA). The CMA will include labour hours and known associated materials and supplies.
- 3.4 CMAs will be completed by AVEOS' representatives for any HM Out-of-Scope Work added during the performance of the C Check-HMV Services and will be submitted to Canadian North within 24 hours of identification.
- 3.5 Canadian North will review and execute the CMA within 24 hours of its presentation as confirmation of acceptance of the HM Out-of-Scope Work. The acceptance and the CMA will be logged on a common tally sheet (for sequencing and reference purposes) detailing all CMAs completed for the C-Check-HMV Service. Final work package closing will include a review of all CMAs and execution by both Parties of the completed tally sheet. The completed CMA tally will be provided to the Canadian North at Aircraft Redelivery.
- 3.6 In the event it is necessary to conduct a test flight or any other flight for the verification of systems functionality at any time during the performance of the C-Check-HMV Services, such test flight shall be carried out by Canadian North with Canadian North's crew and at Canadian North sole cost, expense and risk. Any discrepancies detected during such test flight and which are directly and solely attributable to AVEOS's workmanship shall be corrected by AVEOS at AVEOS's sole cost and expense.
- 3.7 The C-Check-HMVs Services will be performed at an AVEOS facility or its Affiliate's Facility, Aeromantenimiento, S.A., ("Aeroman") or at any other facility as designated by AVEOS, subject to TC approval and slot availability, as specified in Section 3.5 of the Agreement.
- 3.8 Canadian North and AVEOS shall include in each HM Workslope a written estimate of the TAT based on the estimated time required to perform the HM Workslope and the HM Out-of-Scope Work and such other factors as AVEOS and Canadian North mutually agree (the "Estimated TAT"). AVEOS shall use commercially reasonable efforts to complete the HM Workslope and HM Out-of-Scope Work within the Estimated TAT, as the same may be extended. All Estimated TATs are based on prompt receipt by AVEOS of all Documentation and information necessary to allow AVEOS to proceed with the performance of the HM Workslope and HM Out-of-Scope Work promptly and without interruption and Canadian North's compliance with the terms of this Agreement. AVEOS may Redeliver an Aircraft and/or all or any Part of Canadian North items in respect of which Services have been completed in advance of the Estimated TAT.
- 3.9 The Estimated TAT shall automatically and without further act of the Parties be extended if:
- a. AVEOS cannot obtain the Documentation, information, Parts, Components, tools and materials or outside services due to a significant disruption in the supply chain that is beyond the reasonable control of AVEOS;

- b. Any engineering approval for non-standard repairs required by AVEOS from Canadian North's or an OEM's engineering departments is unavailable and/or delayed beyond the reasonable control of AVEOS;
- c. Canadian North or any supplier delays or fails to deliver to AVEOS, in a timely fashion, any Documentation, information, Parts, Components, tools and Materials in serviceable condition and/or in sufficient quantity, due to causes beyond the reasonable control of AVEOS;
- d. AVEOS discovers during the performance of the C Check-HMV Services any major defect, damage or significant non-routine work not included in the HM Workscope or HM Out-of-Scope Work that requires rectification;
- e. Any delay which results from a cause or condition described in Section 13 of the Agreement or any other circumstance beyond the reasonable control of AVEOS.

4. FIXED PRICES

- a. For each C Check-HMV Service, the Fixed Price set forth in Annex C has been based on the routine and non-routine labour, materials and supplies required to complete the HM Workscope, including Rotable and Hard Time Components that have been quoted "Remove & Replace".
- b. On or before January 1st of each calendar year, commencing from 2010, AVEOS shall calculate and provide Canadian North a schedule showing the revised Fixed Prices and Labour Rates resulting from any adjustment due to the increases in the Total CPI as noted in Annex C. Such revised Fixed Price schedule and Labour Rate will be effective as of January 1 of the calendar year and any invoices for Services previously billed in the current calendar year will be adjusted as per Annex C Section 1.4.

5. C-HMV OUT-OF-SCOPE SERVICES

5.1 The following Work shall be considered Out-of-Scope Work:

- a. Any Services or Repairs of a non-routine or non-scheduled nature including but not limited to repair Work resulting from FOD or DOD to the Aircraft or Engines or Components;
- b. Equipment returned to AVEOS for Maintenance, Repair or Overhaul as a result of damage to such Equipment where such damage was not caused by AVEOS;
- c. Repair of any Equipment not found to be in compliance with Section 10.6 of this Agreement;

5.2 All labour and materials required by AVEOS to perform any HM Out-of-Scope Work in connection with a C Check-HMV Service will be invoiced to Canadian North on a Time and Material basis.

- 5.3 The Labour Rate for HM Out-of-Scope Work for related time and materials is contained in Section 1.3 of Annex C of this Agreement.
- 5.4 Any Material or Parts required for Out-of-Scope Work shall be invoiced to Canadian North at AVEOS invoice plus delivery customs, taxes, brokerage and other related charges, times the Handling Fee.

ANNEX "B-2"

ENGINE AND APU MAINTENANCE SERVICES

1. DESCRIPTION OF SERVICES

Engine and APU Maintenance Services (the "EM Services") means Engine and APU maintenance services which are performed in accordance with the Canadian North Maintenance Schedule Approval on Canadian North's JT8D-9A and -17 Engines and APU's as set out in Annex A and are included in the Flight Hour Rate (the "FHR") as set out in Section 1.2 of Annex C.

2. SCOPE OF EM SERVICES PROVIDED

2.1 The EM Services to be provided by AVEOS or its subcontractors and included in the Flight Hour Rate (the "FHR") as set out in Annex C include:

- a. A minimum of fourteen (14) scheduled Engine visits for the Engines listed in the attached schedule during the Term of this Agreement, (the "Engine Serial Number Removal Schedule") which is attached hereto as Exhibit 2 and will be managed by AVEOS as per AVEOS' Engine Program Management;
- b. AVEOS will Repair, Overhaul or replace Engines including LLPs, in such a manner that the remaining life of the Engines at the end of the term of this Agreement would be equivalent to the remaining life of the Engines as if the Engine Schedule had been executed,
- c. Unscheduled Engine removals (other than those due to foreign object damage ("FOD") or domestic object damage ("DOD"));
- d. All APU visits. Canadian North shall advise AVEOS of any changes in the operating environment which would adversely affect APU removals. In such case and following discussion with Canadian North, AVEOS reserves the right to limit included APU visits;
- e. Repairs per AD 2003-12-07 as required;
- f. Spare engine support – one (1) JT8D-9A and one (1) JT8D-17 engine;
- g. Engine and APU modifications, inspections and repairs resulting from Service Bulletins (SB), Airworthiness Directive(s) (AD), Engineering Orders (EO) or Modifications (MOD) under \$2,000.00 per modification, inspection or repair other than AD 2003-12-07;
- h. The cost of repairing an unserviceable Engine or APU is covered up to seventy percent (70%) of the then current replacement price. In the event that it is

estimated and mutually agreed to by both Parties that the repair will cost more than seventy percent (70%) of the then current replacement price, such Engine or APU shall be declared beyond economical repair ("BER"). If nevertheless, Canadian North requests that the Engine or APU be repaired, Canadian North shall pay to AVEOS all additional cost of repair above the 70% cost as established above.

- i. Transport of the Engines and APUs between YEG and the engine repair facility;
- j. Provision of a Powerplant Program Management Specialist.

2.2 EM Out-of-Scope Services not covered by the FHR include:

- a. Unscheduled Engine removals resulting from FOD or DOD;
- b. Engines or APU's returned to AVEOS for Maintenance, Repair or Overhaul as a result of damage to such Engine or APU where such damage was not caused by AVEOS;
- c. Repair of any Engine or APU not found to be in compliance with Section 10.6 of this Agreement;
- d. All EM Out-of-Scope Services will be provided on a Time and Material basis.

3. GENERAL PROCEDURES

- 3.1 The Parties agree to update the Engine Serial Number Removal Schedule every three (3) months based on data (including Engine Condition Monitoring (ECM), engine historical data, on-wing actions, etc) provided by Canadian North.
- 3.2 Canadian North shall advise AVEOS of modification standards, or other parameters which may deviate from the manufacturer's standards. In the absence of such instructions, AVEOS shall use the rigging instructions and modification standards that are currently in effect by the manufacturer for such Engine or APU and approved by TC.
- 3.3 AVEOS shall provide in exchange for such unserviceable Engine, a like serviceable Engine. In the case of such exchange(s), title to such unserviceable Engine shall be transferred to AVEOS or its subcontractor/parts provider; and title to such serviceable Engine being transferred to Canadian North.
- 3.4 Should AVEOS elect not to provide an exchange Engine as specified in Section 3.3 of this AnnexB-2, AVEOS may provide a leased Engine to be operated by Canadian North and Canadian North will cooperate by complying with the insurance, liability, indemnification and with any other term as required by the Engine lessor. In the case of such lease(s), title to such unserviceable Engine shall remain with Canadian North and title to such leased Engine shall remain with Engine lessor. At the Termination of this Agreement AVEOS

will replace any such leased Engine with an Engine that meets the conditions required in Section 2.1 (b) of this Annex B-2.

- 3.5 Tasks or Work outside the agreed EM Services (the "EM Out-of-Scope Work") shall be itemized on a Customer Maintenance Authorization (the "CMA"). The CMA will include labour hours and known materials and supplies.
- 3.6 CMA's will be completed by AVEOS' representatives for any EM Out-of-Scope Work during any EM Services and will be submitted to Canadian North within 24 hours of identification.
- 3.7 Canadian North will review and execute the CMA within 24 hours of its presentation as confirmation of acceptance of the EM Out-of-Scope Work. The acceptance and the CMA will be logged on a tally sheet (for sequencing and reference purposes) detailing all CMA's completed. The completed CMA tally sheet will be provided to Canadian North at Engine or APU redelivery.

4 RECORDS & INSPECTION

- 4.1 Canadian North shall keep operation and maintenance records in accordance with the requirements for the applicable Airworthiness Authority standards for all EM Services performed hereunder. Canadian North shall also advise AVEOS of irregularities or trends related to such records for which AVEOS is responsible hereunder.

ANNEX "B-3"

COMPONENT MAINTENANCE SERVICES

1. DESCRIPTION OF SERVICES

Component Maintenance Services means those services performed with respect to the provision and maintenance of Components and Parts for the Aircraft in accordance with the Canadian North Maintenance Schedule Approval (the "CM Services") and are included in the Flight Hour Rate (the "FHR") as set out in Section 1.2 of Annex C.

2. SCOPE OF COMPONENT MAINTENANCE SERVICES PROVIDED

2.1 The CM Services to be provided by AVEOS or its subcontractors and included in the FHR are as follows:

- a. Inventory logistics and supply services including:
 - i. purchase and control the inventory of Components, Parts and materials except those listed in Exhibit 1 to this Agreement;
 - ii. providing adequate qualified personnel and systems for Stores, shipping and warehousing support for the Canadian North's Equipment including 24/7 expedited AOG services subject to Canadian North performing in accordance to the material requisitioning process;
 - iii. providing main Stores depot in Edmonton with easy accessibility for Line Maintenance;
 - iv. providing satellite Stores depots in Calgary and Ottawa stocked accordingly.
 - v. providing satellite Stores in Winnipeg and Yellowknife depots stocked with 'no go' items;
 - vi. providing inventory sharing for Moncton, NB, St. John's and Nfld dependant on Canadian North's charter schedule;
 - vii. providing a qualified Inventory Manager;
 - viii. providing records on all installed Components or Parts with a serviceable tag that meets Transport Canada requirements with the following additional information:
 - Component part number (P/N)
 - Component serial number (S/N)
 - Total cycles since new (TCN) or Total hours since new (TSN)
 - Back to birth history as per TC requirements
 - Total cycles or hours since last repair or overhaul
- b. Advance exchanges;

- c. All materials;
- d. Customs clearance (excluding Customs, brokerage and related charges);
- e. Compliance with all current and future ADs and SBs issued by TC and applicable to Canadian North subject to a maximum cost of material and labour charges of \$2,000 per each Component or Part;
- f. All modifications subject to a maximum cost of material and labour charges of \$2,000 per each Component or Part;
- g. Logistics;
- h. Unlimited Component or Part Repairs except for Aircraft introduced into the fleet in which case Component or Part Repairs are limited to eighty-five (85) Component repairs per year per Aircraft for such newly introduced Aircraft for the first two (2) years following introduction;
- i. For unreliable or high cost Components and Parts, the Parties will agree on a solution and cost or savings sharing;
- j. Canadian North shall advise AVEOS of any changes in the operating environment which would adversely affect Component or Part removals. In such case and following discussion with Canadian North, AVEOS reserves the right to limit included Components or Parts.
- k. The cost of repairing an unserviceable Component or Part is covered up to seventy percent (70%) of the then current replacement price. In the event that it is estimated and mutually agreed to by both Parties that the repair will cost more than seventy percent (70%) of the then current replacement price, such Component or Part shall be declared beyond economical repair ("BER"). If nevertheless, Canadian North requests that the Component or Part be repaired, Canadian North shall pay to AVEOS all additional cost of repair above the 70% cost as established above. If the BER Component or Part is not repaired, Canadian North shall provide a replacement Part or Component within fifteen (15) days to maintain the inventory levels established by AVEOS;
- l. Transportation costs to and from Canadian North's supply point Facilities: YEG, YYC, YOW and heavy maintenance facilities when an Aircraft is in for a C-Check-HMV Service. Wherever practical, pre-requisite Components, Parts and materials will be transported to or from a heavy maintenance facility on a Canadian North Aircraft.
- m. Test, Repair, and Overhaul of exchanged Components or Parts except those listed in Exhibit "1".
- n. Performance of the maintenance functions for the hard time Components or Parts as listed in Exhibit 3. Canadian North and AVEOS shall mutually agree to any changes to the level of service set forth in Exhibit 3.

- 2.2 AVEOS will be responsible for dispatching Components or Parts accompanied by documentation summarising the maintenance operations accomplished during the Shop Visit, which shall consist of a Transport Canada Authorised Release Certificate Form 24-0078. When the Services have been performed at any other Approved MROA facility, AVEOS shall inform the MROA of its obligation to dispatch Components or Parts accompanied by a group of documents summarising the maintenance operations accomplished during the Shop Visit which shall consist of an FAA Release Certificate form 8130. A Life Limited Component Status and an Airworthiness Directive accomplished during the Shop Visit shall be recorded on the Transport Canada 24-0078 tag, FAA 8130 release certificate form or the EASA form 1.
- 2.3 AVEOS shall provide in exchange for any unserviceable Component or Part a like serviceable Component or Part from AVEOS' inventory. Such exchange shall be subject to:
- a. The unserviceable Component or Part having a "non-incident" history and having come from a Transport Canada approved source;
 - b. Canadian North shall return all unserviceable Component or Part with an unserviceable tag with the following information:
 - Aircraft manufacture's serial number (MSN) (or tail number or registration)
 - Component part number (P/N)
 - Component serial number (S/N)
 - Total cycles since new (TCN) or Total hours since new (TSN)
 - Back to birth history as per TC requirements
 - Total cycles or hours since last repair or overhaul
 - c. AVEOS' right to modify such unserviceable Component or Part to a standard comparable to the Component or Part provided by AVEOS in exchange. Notwithstanding the foregoing, no Component or Part exchanged shall be modified to a lower modification standard than the standard in Canadian North's approved maintenance program;
 - d. Title to such unserviceable Component or Part being transferred to AVEOS upon removal;
 - e. Title to such serviceable Component or Part being transferred to Canadian North upon installation;
 - f. Such Component or Part being of the same configuration.

3. OUT-OF-SCOPE CM SERVICES

3.1 Out-of-Scope CM Services include:

- a. CM Services for Components or Parts listed in Exhibit 1;

- b. The provision of new Parts and materials for the Aircraft, Engines or Components which are peculiar to any aircraft;
- c. Components or Parts returned to AVEOS for Maintenance, Repair or Overhaul as a result of damage to such Components or Parts where such damage was not caused by AVEOS;
- d. Repair of any Component or Part not found to be in compliance with Section 10.6 of this Agreement;

3.2 All Out-of-Scope CM Services provided by AVEOS will be performed on a Time and Material basis;

3.3 The process for providing Out-of-Scope CM Services will be established between the Parties as amended from time to time. AVEOS shall provide to Canadian North's authorized representative a cost estimate ("Cost Estimate") for any Out-of-Scope Components for review and approval. The Canadian North representative shall review and either reject or accept such Cost Estimate within twenty four (24) hours of presentation. In the event that Canadian North accepts the Cost Estimate, AVEOS will invoice Canadian North for the identified Out-of-Scope CM Services within thirty (30) days of Repair. Any Cost Estimate furnished by AVEOS is an approximate calculation only. The final price of Services shall be calculated in accordance with the provisions of this Agreement and Canadian North shall be responsible for payment of such final price. Should Canadian North reject the Cost Estimate, Canadian North shall return to AVEOS the like serviceable Component or Part if so provided to Canadian North by AVEOS and AVEOS in return shall send back to Canadian North the removed unserviceable Component or Part, as if the exchange had not occurred.

ANNEX "B-4"

LINE MAINTENANCE SERVICES

1 DESCRIPTION OF SERVICES

Line Maintenance Services means the inspection, discrepancy or snag rectification and daily Aircraft checks generally requiring less than one (1) calendar day to complete and included in the Flight Hour Rate (the "FHR") as set out in Section 1.2 of Annex C.

2 LINE MAINTENANCE SERVICES PROVIDED

2.1 The Services to be provided by AVEOS or its subcontractors and included in the FHR are as follows:

Services to be performed at YOW

- a. Licensed personnel for maintenance releases, flight permits and minimum equipment release in conjunction with Canadian North MOC;
- b. Transit checks including one (1) hour for defect rectification;
- c. Daily checks including four (4) hour for defect rectification;
- d. Services provided per IATA SGHA 2004 as follows:
 - i. Routine Services
 - Perform line inspection.
 - Enter into the Aircraft log regarding defects observed during the inspection.
 - Enter remarks in Aircraft log regarding defects observed during the inspection.
 - Perform pre-departure inspection.
 - Provide personnel to assist the flight crew or ground staff in the performance of the inspection.
 - ii) Non-routine Services
 - Rectify defects entered in the Aircraft log as reported by the crew or revealed during the inspection, to the extent requested by the Carrier. However, major repairs must be separately agreed upon between the Parties.
 - Enter into the Aircraft log and sign for action taken (to the limit of Line Maintenance Authorization).
 - Report technical irregularities and actions taken to the Carrier's maintenance base.
 - Move Aircraft under its own power.

- e. Airframe, APU, Engine, Parts and Component modifications, inspections and repairs in connection with SBs, ADs, Engineering Orders or modifications (the "Maintenance events") where the accumulated costs for each Maintenance Event does not exceed \$2,000.00. Maintenance Events which exceed this threshold are Out-of-Scope. The decision on whether to incorporate a non-mandatory modification shall be agreed between AVEOS and Canadian North;
- f. Provide inspection and certification after a combi aircraft main upper deck re-configuration as required;
- g. Provide storage and handling of Aircraft parts, materials and tooling that are consistent with the requirements of CM Services in Annex B-3;
- h. Ensure that the Aircraft is left in a secure condition at all times;
- i. Ensure that when the outside air temperatures are near or below freezing that the Aircraft is checked a minimum of once every two (2) hours ensuring that it is secured and heated sufficiently to prevent the water system from freezing and causing damages;
- j. Communicate any Aircraft related issues to Canadian North MOC and Components or Parts issues with AVEOS AOG.

Services to be performed at YYC

- a. Daily checks and transit checks as per Canadian North's schedule. Canadian North shall provide the local contractor with flight and charter schedules for the location;
- b. "A" checks as per Canadian North Maintenance Schedule Approval as required and mutually agreed;
- c. Tow/Taxi services as required;
- d. Snag rectifications;
- e. Manpower will be at a full 24 hours per day / 7 days / 365 days per year coverage and available manhours planned through Canadian North MOC using work orders to a maximum of 24 hours nights and 12 hours per day or as required and mutually agreed to by AVEOS and Canadian North;
- f. Airframe, APU, Engine, Parts and Component modifications, inspections and repairs in connection with SBs, ADs, Engineering Orders or modifications (the "Maintenance events") where the accumulated costs for each Maintenance Event does not exceed \$2,000.00. Maintenance Events which exceed this threshold are Out-of-Scope. The decision on whether to incorporate a non-mandatory modification shall be agreed between AVEOS and Canadian North;
- g. Provide storage and handling of Aircraft, Components or Parts, materials and tooling that are consistent with the requirements of Component Services in Annex B-3;

- h. Ensure that the Aircraft is left in a secure condition at all times;
- i. Ensure that when the outside air temperatures are near or below freezing that the Aircraft is checked a minimum of once every two (2) hours ensuring that it is secured and heated sufficiently to prevent the water system from freezing and causing damages;
- j. Communicate any Aircraft related issues to Canadian North Maintenance Control (MOC) and Components or Parts issues with AVEOS AOG Desk.

Services to be performed at YEG

- a. Daily checks and transit checks as per Canadian North's Maintenance Schedule Approval. Canadian North shall provide AVEOS with a flight and charter schedules for this location;
 - b. 'A' checks as per Canadian North's Maintenance Planning Document (the "MPD");
 - c. 'B' checks as per Canadian North's MPD;
 - d. Cabin conversions on Combi Aircraft as per Canadian North's schedule;
 - e. Tow/Taxi Services – maximum of seven (7) man-hours per day from ramp to Canadian North hangar return;
 - f. Snag rectifications;
 - g. Aircraft washes – a total of eighty-four (84) per year which includes wheel hub cap washes;
 - h. Wheel hub cap washes only – a total of twenty-four (24) per year and above those of aircraft washes;
 - i. Seat track repairs on Combi Aircraft while aircraft is in operation;
 - j. Airframe, APU, Engine, Parts and Component modifications, inspections and repairs in connection with SBs, ADs, Engineering Orders or modifications (the "Maintenance events") where the accumulated costs for each Maintenance Event does not exceed \$2,000.00. Maintenance Events which exceed this threshold are Out-of-Scope. The decision on whether to incorporate a non-mandatory modification shall be agreed between AVEOS and Canadian North;
 - k. Removal and installation of hard time Components or Parts and Engines or APUs as listed in Exhibit 3;
- l. Ensure that when the outside air temperatures are near or below freezing that the Aircraft is checked a minimum of once every two (2) hours ensuring that it is secured and heated sufficiently to prevent the water system from freezing and causing damages;

- m. Communicate any Aircraft related issues to Canadian North Maintenance Control (MOC) and Components or Parts issues with AVEOS AOG Desk.
- n. AVEOS will provide three (3) Licensed Aircraft Technicians per each of the nine (9) Aircraft in Canadian North's fleet as at the date of execution of this Agreement unless reviewed and adjusted based on fleet utilization. AVEOS will also provide a dedicated interior person on the total staff in YEG as well as a dedicated Operations Manager for all locations.

3 OUT-OF-SCOPE LINE MAINTENANCE SERVICES

3.1 Out-of-Scope Line Maintenance Services include:

- a. FOD and DOD Repair on Airframe, Engine, APUs and Components or Parts;
- b. Equipment returned to AVEOS for Maintenance, Repair or Overhaul as a result of damage to such Equipment where such damage was not caused by AVEOS;
- c. Repair of any Equipment not found to be in compliance with Section 10.6 of this Agreement;
- d. Availability of hanger when required for YOW;
- e. Charges for Services performed at YYC that fall within the following parameters:
 - Where the total YYC Line Maintenance charges exceed \$35,000.00 per month and the total B737-200 fleet (covering 9 Aircraft) hours per month is equal to or less than 1080 hours per month.
 - Where the total YYC Line Maintenance charges exceed \$70,000.00 per month and the total B737-200 fleet (covering 9 Aircraft) hours per month is equal to or more than 1387 hours per month.

will be invoiced to Canadian North utilizing the following formula:

$$= \$70,000 - \left[\$35,000 + \left[\frac{(x - 1080)}{(1387 - 1080)} \right] * \$35,000 \right]$$

Whereby x is the actual flying hours per month

In the event Canadian North's flying is reduced to a level where the Line Maintenance Services at YYC are excessive the Parties agree to negotiate a reduction in the Line Maintenance Services at YYC.

3.2 All Out-of-Scope Line Maintenance Services will be charged at a Time and Material basis.

ANNEX "B-5"

FLEET MANAGEMENT SERVICES

1 DESCRIPTION OF SERVICES

Fleet Management Services means the provision of fleet management and engineering support services which are included in the Flight Hour Rate (the "FHR") as set out in Section 1.2 of Annex C.

2 FLEET MANAGEMENT SERVICES PROVIDED

2.1 The Fleet Management Services to be provided by AVEOS and included in the FHR are as follows:

- a. Up to two hundred thirty (230) hours annually of fleet management and engineering support to Canadian North for repair designs, modification designs or other fleet engineering requirements such as maintenance program, reliability program, AD/SB assessment and technical liaison with OEMs or Transport Canada (Engineering support during Heavy Maintenance visits is covered separately under the HM Section).
- b. Up to five hundred forty (540) hours annually of Task Card amendment services based on Canadian North requests.

3. OUT-OF-SCOPE FLEET MANAGEMENT SERVICES

- 3.1 The Out-of-Scope Fleet Management Services to be provided by AVEOS and not included in the FHR are fleet management, engineering and task card amendment services in excess of the above noted allotted hours (the "Out-of-Scope Fleet Management Services").
- 3.2 Out-of-Scope Fleet Management Services shall be charged by AVEOS to Canadian North on a time and materials basis at the rates specified in Annex C.

ANNEX "B-6"

KEY PERFORMANCE INDICATORS

AVEOS and Canadian North will within the first hundred and twenty (120) days of this Agreement establish the Key Performance Indicators (KPI) which shall encompass the following principles:

- Promote continuous improvement in maintenance reliability and on-time-performance
- Must be measureable
- Reviewable
- Controllable
- Based on agreed data
- Contain clear consequences for failure to meet
- Include opportunities for rewarding when KPI's are consistently exceeded
- Include an indication of a maximum service level credit payable for failure to meet
- Promote accountability

The KPI process shall include a reasonable time period before any agreed penalty occurs in order to allow for a recovery plan and the implementation of corrective action to be developed by AVEOS for Services performed below the identified standards. In addition, the KPI process shall include clear procedures established by both Parties.

Upon acceptance by both Parties of the established KPIs, this Agreement shall be amended to incorporate the KPIs. As of the effective date of such amendment the KPIs will form an integral part of this Agreement.

ANNEX "C"

RATES AND CHARGES / INVOICING / PAYMENT TERMS / ADJUSTMENTS

1. RATES AND INVOICING

1.1 Fixed Rates

1.1.1 The following Fixed Rates shall apply to all HM Workscope Services, as detailed in Annex B-1 to this Agreement:

Fixed Rate	2009 Fixed Rate Amount (CAD)
HMV	\$1,500,000
C Check	\$ 500,000

1.1.2 Invoicing & Payment Terms for C Check-HMV Services

- a. AVEOS shall invoice Canadian North fifty percent (50%) of the Fixed Rate and fifty percent (50%) of the estimated Out-of-Scope HM Services in Annex B-1 fourteen (14) days prior to Aircraft induction. This invoice is to be paid at Aircraft induction.
- b. AVEOS shall invoice Canadian North the remaining fifty percent (50%) of the Fixed Rate and fifty percent (50%) of the Out-of-Scope HM Services at the mid-point of the C Check-HMV Services event. This invoice shall be paid upon acceptance of the Aircraft and prior to Redelivery of the Aircraft.
- c. Charges for Out-of-Scope HM Services chargeable on a Time & Materials basis shall be invoiced subsequent to Aircraft Redelivery. Such invoice shall be payable on a net thirty (30) days basis.

1.2 Flight Hour Rate

1.2.1 The Flight Hour Rate for other than Out-of-Scope Services in each of the following Annexes shall be Seven Hundred Eighty-three Canadian (\$783.00 CAD) dollars per Flight Hour:

ANNEX "B-2" - ENGINE AND APU MAINTENANCE SERVICES
ANNEX "B-3" - COMPONENT MAINTENANCE SERVICES
ANNEX "B-4" - LINE MAINTENANCE SERVICES
ANNEX "B-5" - FLEET MANAGEMENT SERVICES

Note: Eleven dollars (\$11.00) of the above mentioned rate is for the Line Maintenance Services in YYC. Should the requirements for the Line Maintenance Service in YYC change, this rate will be reviewed and adjusted upon agreement by both Parties.

1.2.2 Invoicing & Payment Terms

- a. On or before the Fifth (5th) Business Day of each month, AVEOS shall invoice Canadian North the Estimated Monthly Aircraft Flight Hours times the applicable Flight Hour Rate for the current month. The invoice shall be payable in full within ten (10) days of the invoice date.
- b. On or before the Third (3rd) Business Day of each month, Canadian North shall report to AVEOS the Actual Monthly Aircraft Flight Hours operated for the previous month.
- c. On or before the Fifth (5th) Business Day of each month, AVEOS shall issue an invoice for the differential (if any) between the Estimated Monthly Aircraft Flight Hours and the Actual Monthly Aircraft Flight Hours of the previous month times the applicable Flight Hour Rate. In addition, AVEOS shall invoice the Estimated Monthly Aircraft Flight Hours of the current month. The invoice shall be payable in full within ten (10) days of the invoice date.
- d. Invoices for Work and charges not included in the Flight Hour Charge shall be paid by Canadian North within thirty (30) days from the date of the invoice.
- e. Upon termination of the Agreement, AVEOS shall issue an additional invoice for the Actual Monthly Aircraft Hours operated for the previous month for reconciliation purposes. Such invoice shall be payable in full within ten (10) days of the invoice date.

1.3 Out-of-Scope Rates

The Out-of-Scope Work described in the appropriate annexes is chargeable at the following rates:

Out-of-Scope Services	T&M Rate
Labour - Straight Time	\$ 85.00 per hour
Labour - Overtime	\$128.00 per hour
Engineering Services	\$140.00 per hour
Job Card Editor Services	\$ 95.00 per hour
Third Party Services	Invoice cost + 15%
Aeroman	Invoice cost + 15%

Invoicing & Payment Terms:

AVEOS shall invoice Canadian North for Out-of-Scope Work as incurred. Such invoice shall be payable within thirty (30) days from the date of the invoice.

1.4 2009 Dollar Adjustment Formula:

All rates contained herein (Fixed Rates, FHR, Time & Material Rates for Out of Scope Services) shall be subject to annual escalation adjustment of two percent (2%) or Total Canadian CPI (which can be referenced at <http://www.bankofcanada.ca/en/cpi.html>) whichever is greater. Such adjustment shall be effective on January 1st of each and every subsequent year during the Term of the Agreement, commencing January 1, 2010.

Material prices shall be in accordance with the then current Manufacturers list price at the time the Service is performed or material supplied.

EXHIBIT 1

EXCLUSION LIST

The Components or Parts listed in this Exhibit 1, which are peculiar to Canadian North's Equipment, and the sub-assemblies and units that are of the same form, fit and function as the Components or Parts listed below are excluded from the FHR and all Repairs performed by AVEOS will be charged at a Time and Material basis in accordance with the provisions of Section 3.1 of Annex B-3.

CANADIAN NORTH - UNITS NOT COVERED BY PBH	
MANUFACTURER PART NUMBER	DESCRIPTION
9B-81020-2	Digital Air Data Computer
9D-80310-35	Electrical Altimeter
9D-80310-34	Altitude Alerter
9D-80130-22	Air Data Display Unit
9B03508-37	Configuration Module
ELT-1	ELT
C406-1	ELT
R1633M3	Power Airstair Unit
65-77452-13	Vortex Dissipator
F61D0236M4-11	Dissipator Vortex Valve
55-77432-215	Dissipator Boom Left Hand
55-77432-216	Dissipator Boom Right Hand
1U1243-1	Gravel Deflector NLG
65-55347-1	Air Con. Adapter
S65-8262-2G	Antenna
1018-2-113	UNS CDU
2192-00-111101	UNS NCU
001034-101	Switching Unit
500-0005 1config- 0026402-44011-01	AFIRS 220 AssyMFD 640 (multifunction display)
MD41-1428	Annunciator Control Unit
GAD 42	Garmin GAD Adapter
MD41-248	Nav Relay
100-601702-052	Northern Latitude Compensator
473597-4-07	Cargo Fire Detector
372	Halon 20lb. Bottle
15375	Passenger Cargo Partition
148105	MTR Main Cargo Valve
04-32-1043-1	NLG Tow Fitting
101184-101	Fwd Right Hand Combi closet
4340-35	Cargo Mat Balls
65-56632-1	Airstair

EXHIBIT 2

ENGINE SERIAL NUMBER REMOVAL SCHEDULE

Fin #	JT8D	Starting Serial Number	Current Estimated Due Date	Calendar Limit Applied	Estimated Remaining Hours Dec 31, 2015	Estimated Remaining Cycles Dec. 31, 2015	Estimated Calendar Years Remaining Dec. 31, 2015
523	-17	702669	March 24, 2010	*	3155	1835	1.50
523	-17	707162	March 30, 2011		5215	3255	2.50
552	-9A	707358	July 01, 2015	*	13970	9356	6.50
552	-9A	674234	Oct 20, 2011		6348	4990	3.00
562	-9A	707356	May 05, 2010		3340	2710	1.58
562	-9A	687894	April 10, 2010		3155	2598	1.50
582	-17	702754	Feb 01, 2011		4865	2709	2.33
582	-17	702674	Jan 29, 2009		745	-255	0.33
583	-17	702734	Aug 17, 2012		8140	5065	3.92
583	-17	709491	Jan 31, 2013		8985	5673	4.33
584	-17	709475	Feb 27, 2009	*	930	122	0.42
584	-17	688717	Aug 11, 2012		8140	5064	3.92
586	-17	696750	Sept 08, 2014	*	12260	8111	5.92
586	-17	665850	Oct 18, 2015	*	14485	9645	6.75
Total					93733	55970	44.50

- Notes:
- 1) Estimated Flying Hours based on 2060 Hours per year per Aircraft
 - 2) Estimated Cycles based:
 - 1.45 cycles to hour ratio for 523 and 586
 - 1.60 cycles to hour ratio for 552 and 562
 - 1.39 cycles to hour ratio for 582, 583 and 584
 - 3) Calendar Limit Based on 8 Year maximum life between shop compressor workscope as specified by AD 2003-12-07 with allowance for delay to install engine.
 - 4) Minimum Build spec. of 15000 Flying Hours and 10000 cycles
 - 5) Total calendar time tied to Estimated Flying Hours per year.

EXHIBIT 3

HARDTIME COMPONENTS

MPD Item	Description	P/N	Qty / A	Cdn North Approved Interval	Maintenance Function	Air Canada Work Cent	Comments
7-21-06	Heat Exchanger	182820-x	4	16000 hrs	Shop Check	4104	
7-21-12	Cabin Pressure Relief Valve	720737-x	2	10000 hrs	Shop Check	4109	
7-21-15	Turbofan	801240-x	2	15000 hrs	Shop Check	4114	
7-21-25	Gaspar Fan	21520-1	1	5000 hrs	Overhaul	4102	
7-23-07	Voice Recorder	93A100-xx	1	9000 hrs / 48 mon	Overhaul	4341	
7-23-07	Voice Recorder	93A100-xx	1	3000 hrs / 12 mon	Intelligibility Check	2302	
7-23-07	Voice Recorder U.L.B.	DK100/DK120	1	1 year	Operational Check	32310	
7-23-07	Voice Recorder U.L.B.	DK100/DK120	1	6 yrs	Battery Scrap	3213	
7-24-02	Bus Protection Panel	915F213-x	1	6000 hrs	Shop Check	2263	
7-24-04	Constant Speed Drive Unit	699647x	2	6500 hrs	Shop Check	1182	
7-24-07	Generator Control Unit	915F212-x	3	6000 hrs	Shop Check	2271	
7-24-08	Generator	976J498-x	3	6500 hrs	Overhaul	1177	
7-24-11	Battery	23186	1	750 hrs	Shop Check	4254	
7-25-01	E.L.T.	ELT8.1	1	12 mon	Operational Check	N/A	
7-25-01	E.L.T. Battery	ELT8.1	1	6 yrs	Ultimate Life	N/A	
7-25-01	Escape Slide	11611-143 or 22D22901-159	2 - 3	2 yrs	Overhaul	3132	
7-25-02	Escape Slide Bottle	1043-x or 21D17275-x	2 - 3	3 yrs	Hydrostat (Overhaul)	3132	
7-25-02	Escape Slide Bottle	1043-x or 21D17275-x	2 - 3	24 yrs	Ultimate Life	3132	
7-26-06	Engine Fire Extinguisher Bottle	829500-x or 33600011	2	1C (3000 hrs)	Weight Check	5010	
7-26-06	Engine Fire Extinguisher Bottle	829500-x or 33600011	2	5 yrs	Hydrostat (Overhaul)	5128	
7-26-07	APU Fire Extinguisher Bottle	829700-x or 33007505	1	1C (3000 hrs)	Weight Check	5010	
7-26-07	APU Fire Extinguisher Bottle	829700-x or 33007505	1	5 yrs	Hydrostat (Overhaul)	6105	
7-26-11	Fire Extinguisher Cartridge	805300-x or 30903828	3	10 or 12 yrs	Ultimate Life	5206/6204	
7-27-22	Stabilizer Jackscrew & gearbox Assy	65-49970-x	1	20000 hrs	Overhaul	6145	
7-27-30	Flap Alternate Drive Unit	793T100-x	1	16500 hrs	Overhaul	N/A	
7-27-33	Flap Outboard Transmission #1 LH	65-60321-x	1	30000 hrs	Overhaul	51286	
7-27-34	Flap Inboard Transmission #2 LH	65-60322-x	1	30000 hrs	Overhaul	51286	
7-27-35	Flap Outboard Transmission #3 LH	65-60323-x	1	30000 hrs	Overhaul	51286	
7-27-36	Flap Inboard Transmission #4 LH	65-60324-x	1	30000 hrs	Overhaul	51286	
7-27-37	Flap Inboard Transmission #5 RH	65-60325-x	1	30000 hrs	Overhaul	51286	
7-27-38	Flap Outboard Transmission #6 RH	65-60326-x	1	30000 hrs	Overhaul	51286	
7-27-39	Flap Inboard Transmission #7 RH	65-60327-x	1	30000 hrs	Overhaul	51286	
7-27-40	Flap Outboard Transmission #8 RH	65-60328-x	1	30000 hrs	Overhaul	51286	
7-27-42	Flap Position Transmitter	65-8065-x	2	21000 hrs	Overhaul	51287	
7-27-43	Spoiler Mixer Assembly	65-46360-x	1	2 HMV (8 yrs)	Shop Check / Refurbish	51165	
7-27-43.1	Spoiler Ratio Changer Assembly	65-46370-x	1	2 HMV (8 yrs)	Shop Check / Refurbish	51164	
7-27-52.2	Leading Edge Flaps Hydraulic Fuse	6213-x or	1	20000 hrs	Overhaul	51172	
7-28-02	Engine Fuel Shutoff Valve	60128 or 10-60529-5	2	OC	N/A	N/A	
7-28-04	APU Fuel Shutoff Valve	AV16E1209D	1	OC	N/A	5106	
4-28-16AC	Suppressor Unit, FQIS	30255-0201	3	20000 hrs	Operational Check	N/A	STC SA02-79

7-29-04	Electric Motor Driven Hydraulic Pump	57186-x	2	8000 hrs	Overhaul	5178
7-29-11	Overheat Sensing Switch	975-0018-007	2	3C (9000 hrs)	Shop Check / Refurbish	51340
7-29-15	Reservoir Relief Valve Assembly	316565	1	2 H/AV (8 yrs)	Shop Check / Refurbish	5187
7-31-04	Universal Flight Data Recorder	980-4100-x	1	5000 hrs	Shop Check	3203
7-31-04	Universal Flight Data Recorder	980-4100-x	1	1C (3000 hrs)	Correlation Check & Accelerometer Functional	2252 or 22132
7-31-04	Digital Flight Data Recorder	10077A500-x	1	15000 hrs / 5 yrs	Overhaul	3232
7-31-04	Digital Flight Data Recorder	10077A500-x	1	3000 hrs	Shop Check	3232
7-31-04	Digital Flight Data Recorder	10077A500-x	1	1C (3000 hrs)	Correlation Check & Accelerometer Functional	2252 or 22132
7-31-05	Flight Data Recorder U.L.B.	DK100/DK120	1	1 year	Operational Check	32310
7-31-05	Flight Data Recorder U.L.B.	DK100/DK120	1	6 yrs	Battery Scrap	3213
7-32-01	Main Landing Gear Assembly	65-73761-x	2	18000 c/c / 9 yrs	Overhaul	51305
7-32-03	Nose Landing Gear Assembly	65-73762-x	1	18000 c/c / 10 yrs	Overhaul	4142
32-00-020	Brake Hydraulic Fuse	6212 or G836-6-20	4	16000 hrs / 72 mon	Overhaul	5137 20000 hrs
7-34-03	Altimeter (Standby)	A4448810202 or B0063-81101	1	24 mon	Shop Check / Recertify	22150
7-34-24	ATC Transponder	622-2224-00x or	1	24 mon	Shop Check / Recertify	4313
7-34-24	ATC Transponder	622-7878-201	1	24 mon	Shop Check / Recertify	22108
7-35-03	Oxygen Bottles (3HT Type)	801307-00	2	3 yrs	Hydrostat (Overhaul)	N/A
7-36-01	APU Check Valve	123558-1-x	1	10800 hrs	Shop Check / Refurbish	4133
7-38-02	Toilet Motor Pump & Filter Unit	3200-x	2-3	1 HMV (4 yrs)	Shop Check / Refurbish	3109
7-49-02	Auxiliary Power Unit (APU)	380428-1-x	1	OC	Hot Section Inspection	6100
7-49-07	APU Starter	3605812-x	1	CM	N/A	6111
62-00-001	Air Airstair Transmission Assv	544886-x	2	34000 c/c	Shop Check / Refurbish	41216
AD 2003-24-08	Outboard Flap Carriage	65-46481-x	4	20000 hrs	Overhaul	51329
7-74-02	Engine Ignition Plug	AA72S	2	3630 hrs	Replace	1108
7-78-05.1	Thrust Reverser Hydraulic Fuse	6213-x or	2	20000 hrs	Overhaul	51284
8010-01001	Start Valve Pressure Switch	1G386-16927	2	16000 c/c	Overhaul	1135
Misc. Interior Emergency Equipment including First Aid Kits, Medical Kit, Survival Equipment, Life Jackets, PBE's Defibrillator, Portable Fire Extinguishers and Oxygen Bottles (& masks); Check to ensure all limiting dates are have a minimum of 4 months remaining						3153

EXHIBIT 4

TASK CARDS AS AT JULY 17, 2007
(Contained in a file attached as an Excel Spreadsheet)

