

No: 500-11-042345-120

EXHIBIT R-1e)

**(In support of the Motion for authorization to cancel
a letter of credit and to make certain distributions)**

Execution Version

**FIFTH SUPPLEMENT
TO THE PENSION AND BENEFITS AGREEMENT**

THIS AGREEMENT is made as of March 12, 2010,

BETWEEN:

AIR CANADA

- and -

AVEOS FLEET PERFORMANCE INC.

WHEREAS:

- A. The parties hereto are parties to a Pension and Benefits Agreement made as of June 22, 2007 (the "PBA"), the first supplemental agreement to the PBA made as of October 16, 2007 ("Supplement 1"), the second supplemental agreement to the PBA made as of October 28, 2008 ("Supplement 2"), a Payment Suspension Agreement made as of October 28, 2008 (the "PSA"), the third supplemental agreement to the PBA and amendment to the PSA made as of January 7, 2009 ("Supplement 3"), and the fourth supplemental agreement to the PBA made as of January 8, 2009 ("Supplement 4").
- B. KSAGE MRO Holdings Inc., the Purchaser under the PBA, changed its name to ACTS Aero Technical Support & Services Inc., and subsequently to Aveos Fleet Performance Inc., so accordingly Aveos Fleet Performance Inc. is referred to herein as the "Purchaser".
- C. Air Canada and the Purchaser have entered into various agreements governing the compromise and settlement of outstanding claims and disputes between them and relating to the Purchaser's debt and equity restructuring and recapitalization.
- D. Included as part of such agreements is a commitment to modify the PBA in this fifth supplemental agreement ("Supplement 5"), to ensure that the terms and mechanics of the PBA including as they pertain to the transition of certain Air Canada unionized employees properly reflect the updated agreement of Air Canada and the Purchaser.

NOW THEREFORE, in consideration of the premises and covenants and agreements contained in the PBA, the PSA, Supplement 1, Supplement 2,

- 2 -

Supplement 3, Supplement 4 and this Supplement 5, and other good and valuable consideration, the receipt and sufficiency of which the parties hereto acknowledge, the parties hereto agree as follows:

1. All capitalized terms used in this Supplement 5 and not otherwise defined herein shall have the meanings ascribed to them in the PBA, the PSA, Supplement 1, Supplement 2, Supplement 3 or Supplement 4, as applicable.
2. This Supplement 5 shall be a supplement to the PBA. In the event of any inconsistency between the PBA, the PSA, Supplement 1, Supplement 2, Supplement 3 or Supplement 4 on the one hand and this Supplement 5 on the other, this Supplement 5 shall prevail.
3. In this Supplement 5:
 - (a) "Airframe Employees" means: (i) prior to the Certification Date, those AC Unionized Employees assigned to the Purchaser, pursuant to the Memorandum of Agreement dated June 22, 2007 between the Purchaser and Air Canada (as amended), who are solely or primarily engaged in performing services under the Services Agreement for Airframe Heavy Maintenance dated October 1, 2006 between the Purchaser and Air Canada (as amended, the "HMA"), including such AC Unionized Employees assigned to the Purchaser on layoff who, immediately prior to their layoff, were solely or primarily engaged in performing services under the HMA; and (ii) as of the Certification Date, those AC Unionized Plan Beneficiaries described in Sections 4(i) and 4(ii) of Supplement 4 who, as of the Certificate Date, are solely or primarily engaged in performing services under the HMA;
 - (b) "Engine, Component and Other Employees" means those AC Unionized Employees or AC Unionized Plan Beneficiaries (as the case may be) who are not Airframe Employees; and
 - (c) "2009 Letters of Credit" means
 - (i) Letter of Credit number SBGM745339 in the amount of CAD\$1,186,581.00 expiring on October 1, 2010 as the initial expiry date and February 28, 2014 as the final expiry date;
 - (ii) Letter of Credit number SBGM745340 in the amount of CAD\$22,793,000.00 expiring on October 1, 2010 as the initial expiry date and February 15, 2019 as the final expiry date;

- 3 -

- (iii) Letter of Credit number SBGM745341 in the amount of CAD\$560,488.00 expiring on October 1, 2010 as the initial expiry date and August 31, 2012 as the final expiry date; and
- (iv) Letter of Credit number SBGM745338 in the amount of CAD\$18,100,000.00 expiring on October 1, 2010 as the initial expiry date and February 15, 2019 as the final expiry date;

each issued on October 2, 2009 in favour of the Purchaser by Canadian Imperial Bank of Commerce.

4. Section 24 of the PBA is deleted and replaced with the following:

"Quarterly Payments

(a) Engine, Component and Other Employees

The "Compensation Amount" in respect of an AC DB Plan is the amount determined as at the Certification Date as X, where X= (i) - (ii) + (iii) + (iv), each calculated as follows:

(i) equals the product of (a) and (b), where

(a) is the portion of the Unionized Closing Date Liabilities in respect of the Engine, Component and Other Employees, and

(b) is the amount by which one exceeds the relevant Unionized Closing Date Solvency Ratio;

(ii) for each year or portion thereof between the Closing Date and the Certification Date, equals the product of (c) and (d), where

(c) is the past service contributions remitted by Air Canada to the AC DB Plan, and

(d) is the Unionized Allocated Percentage calculated in respect of the Engine, Component and Other Employees. For purposes hereof, contribution holidays, if any, shall be treated as negative past service contributions;

(iii) interest on the amounts determined in (i) and (ii) above, between the Closing Date and the Certification Date calculated at the same rate as the discount rate used to determine the Unionized Closing Date Liabilities; and

(iv) any adjustment for AC DB Plan amendments, in the event that Air Canada amends the AC DB Plan between the Closing Date and the Certification Date. This adjustment shall be equal to the amount the Certification Date Assets in respect of the

- 4 -

Engine, Component and Other Employees would have been had such amendment not been made less the amount of the actual Certification Date Assets in respect of the Engine, Component and Other Employees, adjusted if necessary to account for any past service contributions related to such amendment, as calculated by Air Canada's actuary. This calculation shall include every amendment to the AC DB Plan during the period between the Closing Date and the Certification Date, and a copy of the results of the calculations of Air Canada's actuary shall be provided to the Purchaser. The Purchaser shall notify Air Canada within 30 days of receiving a copy of the results of such calculations as to whether it agrees or disagrees with Air Canada's actuary's calculations of this adjustment. If the Purchaser fails to provide such notice to Air Canada, the Purchaser will be deemed to have agreed with the calculations. If the Purchaser notifies Air Canada that it disagrees with the calculations, Air Canada and the Purchaser shall negotiate in good faith to reach an agreement respecting the calculation of this adjustment. If Air Canada and the Purchaser are unable to agree on the adjustment, the provisions of Section 61 shall apply.

If a Compensation Amount is greater than zero, Air Canada shall pay the Purchaser such quarterly payments as are determined in this Section 24(a). If a Compensation Amount is less than zero, the Purchaser shall pay the absolute value of the Compensation Amount (as if such amount were a positive, rather than a negative number) by making such quarterly payments to Air Canada, mutatis mutandis.

Air Canada shall make, on each October 30th, January 30th, April 30th, and July 30th following the Certification Date and up to the fifth anniversary of the Certification Date, equal quarterly payments to the Purchaser so that the present value of such payments equals the Compensation Amounts in respect of the Main Plan and in respect of the CAIL IAMAW Plan. Such present value shall be determined using the same discount rate as is used to determine the Unionized Closing Date Liabilities.

(b) Airframe Employees, if Deficit

Air Canada shall make, on each October 30th, January 30th, April 30th, and July 30th following the Certification Date and up to the fifth anniversary of the Certification Date, equal quarterly payments to the Purchaser so that the present value of such payments equals the solvency deficit, if any, of the AC DB Plans in respect of the Airframe Employees at the Certification Date.

(c) Aggregation of Payments Calculated under (a) and (b)

The amount payable under this Section 24 by Air Canada or the Purchaser, as applicable, shall be determined by aggregating the payments calculated under Section 24(a) and Section 24(b).

If there is a Unionized Adjustment which is greater than zero, Air Canada shall

- 5 -

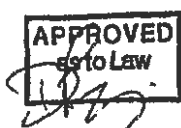
reduce the remaining quarterly payments following the DB Unionized Transfer Date by equal amounts so that the present value of such reduction in payments equals the Unionized Adjustment. If there is a Unionized Adjustment which is less than zero, Air Canada shall increase the remaining quarterly payments following the DB Unionized Transfer Date by equal amounts so that the present value of such additional payments equals the Unionized Adjustment.

For further clarity, if any resulting quarterly payment is negative, either due to one or both Compensation Amounts in respect of the Engine, Component and Other Employees being less than zero and/or due to a Unionized Adjustment being greater than zero, the Purchaser shall make that quarterly payment to Air Canada, as opposed to Air Canada making that quarterly payment to the Purchaser."

5. No later than the date the Unionized Report is provided to the Purchaser by Air Canada, Air Canada shall provide the Purchaser with calculations of the solvency liabilities under each AC DB Plan in respect of the Airframe Employees, as well as the related assets and the related surplus or deficit position as at the Certification Date. The Purchaser shall make, on each October 30th, January 30th, April 30th, and July 30th following the Certification Date and up to the fifth anniversary of the Certification Date, equal quarterly payments to the Purchaser so that the present value of such payments equals the solvency surplus, if any, of the AC DB Plans in respect of the Airframe Employees at the Certification Date, with the present value determined using the same discount rate as was used to determine the solvency surplus of the relevant AC DB Plan at the Certification Date. For greater certainty, the obligations of the Purchaser pursuant to this Section 5 shall not be secured by the Purchaser Letter of Credit or otherwise.
6. The 2009 Letters of Credit shall be returned to Air Canada for cancellation upon the delivery of the Air Canada Letter of Credit or the Purchaser Letter of Credit, as contemplated under Schedule A hereto, accompanied by a direction, executed by Air Canada and the Purchaser, directing Canadian Imperial Bank of Commerce to effect such cancellation.
7. The provisions of Schedule C-1 and Schedule C-2 to the PBA, Supplement 1, Supplement 3 and Sections 1.3, 1.6 and 1.8(b) of the PSA are, with effect from the date hereof, amended and restated in their entirety by the provisions of Schedule A hereto and Exhibits 1 and 2 to such Schedule A.
8. This Supplement 5 may be executed by the parties in separate counterparts, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

[Signature page follows.]

S-1



AIR CANADA

By: Cal. Down -
Name _____
Title _____

AVEOS FLEET PERFORMANCE INC.


By: _____
Name Chahram Bolouri
Title President and Chief Executive Officer

S-1

AIR CANADA

By: _____
Name
Title

AVEOS FLEET PERFORMANCE INC.

By:  _____
Name Chahram Bolouri
Title President and Chief Executive Officer

SCHEDULE A

1. Air Canada Payment Obligations

Air Canada acknowledges that it is obligated to the Purchaser in respect of Air Canada's obligations described under Sections 13, 24, 33, 37, 40 and 41 of the PBA, as supplemented as of the date hereof (collectively, the "Air Canada Payment Obligations"). As security for the Air Canada Payment Obligations, subject to paragraph 2 below, Air Canada will, as required pursuant to the provisions of paragraphs 8, 9, 10 or 11 of this Schedule A, arrange for a financial institution (acceptable to the Purchaser, acting reasonably) to issue one irrevocable stand-by letter of credit in favour of the Purchaser on or before the date hereof and, as the case may be, from time to time hereafter consistent with the principles contained in Exhibit 1 (the "Air Canada Letter of Credit"), unless such requirement to deliver such Air Canada Letter of Credit shall have otherwise been waived in the sole discretion of the Purchaser. Such Air Canada Letter of Credit shall be issued on the terms and conditions as provided for in this Schedule A but in no event shall the face amount thereof exceed \$20,000,000.

2. Purchaser Payment Obligations

The Purchaser acknowledges that it is obligated to Air Canada in respect of the Purchaser's obligations described under Section 13 and/or 24 of the PBA, as supplemented as of the date hereof (collectively, the "Purchaser Payment Obligations"). As security for the Purchaser Payment Obligations, the Purchaser will, as required pursuant to the provisions of paragraphs 8, 9, 10 or 11 of this Schedule A, arrange for a financial institution (acceptable to Air Canada, acting reasonably) to issue one irrevocable stand-by letter of credit in favour of Air Canada on or before the relevant time set out below in this Schedule A (the "Purchaser Letter of Credit"), unless such requirement shall have otherwise been waived in the sole discretion of Air Canada. Such Purchaser Letter of Credit shall be issued on the terms and conditions as provided for in this Schedule A but in no event shall the face amount thereof exceed \$20,000,000. Should the Purchaser have the obligation to deliver the Purchaser Letter of Credit, the Purchaser shall be required to cause promptly (and no later than three Business Days from the date the Purchaser's obligation to deliver such Purchaser Letter of Credit shall have arisen) the issuance of the Purchaser Letter of Credit in favour of Air Canada in accordance with the terms of item 2 of Exhibit 1.

- 2 -

3. **Forms of Letters of Credit**

Each of Air Canada and the Purchaser acknowledges that the final forms of the Air Canada Letter of Credit and the Purchaser Letter of Credit may contain additional provisions (standard terms or otherwise) as required by the financial institution issuing such letters of credit, and that such financial institution may also require that any principle contained in this Schedule A or Exhibit 1 hereto be modified as a condition to the issuance of such letter of credit, and in each such case each of Air Canada and the Purchaser agrees to act reasonably with each other and with the financial institution in order to have such letters of credit issued in their final form (including any replacement letter of credit to the initial letter of credit as contemplated hereunder).

4. **Draw on Air Canada Letter of Credit**

If the Purchaser is entitled to draw on the Air Canada Letter of Credit as provided for therein, this paragraph or the applicable item of Exhibit 1, the particular Air Canada Payment Obligation (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) shall be immediately due and payable to the Purchaser, and the Purchaser shall have the option (i) to draw on the Air Canada Letter of Credit an amount equal to the particular Air Canada Payment Obligation (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) which has been so accelerated and/or become due and payable, in satisfaction of such Air Canada Payment Obligation, or (ii) to pursue any other rights and remedies available to the Purchaser at law, in equity or otherwise, provided that the aggregate amount of all Air Canada Payment Obligations (including, for greater certainty, any amounts owing from and after the Certification Date in respect thereof) is greater than the face amount of the Air Canada Letter of Credit. In the event that the aggregate amount of all Air Canada Payment Obligations (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) is equal to or less than the face amount of the Air Canada Letter of Credit, the only recourse of the Purchaser against Air Canada to satisfy the payment of the particular Air Canada Payment Obligation (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) which has become so accelerated and/or become due and payable, as the case may be, shall be to draw on the Air Canada Letter of Credit. The Purchaser covenants in favour of Air Canada that it will only draw on the Air Canada Letter of Credit acting in good faith and strictly in compliance with the terms and conditions thereof (and, if such terms and conditions in the letter of credit are the simple delivering of a certificate by the beneficiary certifying that the drawdown conditions have

- 3 -

been met or otherwise do not specifically reference the conditions contained in the applicable "Drawdown Conditions" provision or provisions of Exhibit 1, strictly in compliance with such conditions in Exhibit 1). The Purchaser acknowledges and confirms that Air Canada reserves all of its rights and remedies (contractual, at law or otherwise) (including without limitation injunction and damages) in connection with any drawing on the Air Canada Letter of Credit that is not strictly in compliance with the terms and conditions thereof (or the applicable "Drawdown Conditions" provision or provisions of Exhibit 1).

5. Draw on Purchaser Letter of Credit

If Air Canada is entitled to draw on the Purchaser Letter of Credit as provided for in such Purchaser Letter of Credit, this paragraph or the applicable item of Exhibit 1, the Purchaser Payment Obligations (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) in respect of such amount payable to Air Canada (as provided for in item 2 of Exhibit 1) shall be immediately due and payable to Air Canada, and Air Canada shall have the option (i) to draw on the Purchaser Letter of Credit an amount equal to the particular Purchaser Payment Obligation (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) which has been so accelerated and/or become due and payable, in satisfaction of such Purchaser Payment Obligation, or (ii) to pursue any other rights and remedies available to Air Canada at law, in equity or otherwise, provided that the aggregate amount of all Purchaser Payment Obligations (including, for greater certainty, any amounts owing from and after the Certification Date in respect thereof) is greater than the face amount of the Purchaser Letter of Credit. In the event that the aggregate amount of all Purchaser Payment Obligations (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) is equal to or less than the face amount of the Purchaser Letter of Credit, the only recourse of the Purchaser against the Purchaser to satisfy the payment of the particular Purchaser Payment Obligation (including, for greater certainty, any amount owing from and after the Certification Date in respect thereof) which has become so accelerated and/or become due and payable, as the case may be, shall be to draw on the Purchaser Letter of Credit. Air Canada covenants in favour of the Purchaser that it will only draw on the Purchaser Letter of Credit acting in good faith and strictly in compliance with the terms and conditions thereof (and, if such terms and conditions in the letter of credit are the simple delivering of a certificate by the beneficiary certifying that the drawdown conditions have been met or otherwise do not specifically reference the conditions contained in the "Drawdown Conditions" provisions of item 2 of Exhibit 1, strictly in

- 4 -

compliance with such conditions in such item of Exhibit 1). Air Canada acknowledges and confirms that the Purchaser reserves all of its rights and remedies (contractual, at law or otherwise) (including without limitation injunction and damages) in connection with any drawing on such Purchaser Letter of Credit that is not strictly in compliance with the terms and conditions thereof (or the "Drawdown Conditions" provisions of item 2 of Exhibit 1).

6. **Sale of Purchaser**

Each of Air Canada and the Purchaser covenant to act reasonably in connection with any subsequent sale of the Purchaser where it becomes a new entity (by merger, amalgamation or otherwise) (or the sale of all or substantially all of the assets of the Business) in order to ensure that any such purchaser of the Purchaser where it becomes a new entity (by merger, amalgamation or otherwise) (or following the sale of all or substantially all of the assets of the Business) shall be a beneficiary of the Air Canada Letter of Credit (to the extent any such letter of credit has not expired or remains undrawn). The Purchaser covenants in favour of Air Canada that it shall not permit any such sale at a time when the Purchaser Letter of Credit is issued as contemplated by paragraph 2 above (to the extent any such letter of credit has not expired or remains undrawn) without such purchaser having arranged for a replacement Purchaser Letter of Credit to have been issued in favour of Air Canada no later than the closing date of such sale on the same terms and conditions provided for in paragraph 2 above (and item 2 of Exhibit 1).

7. **Sale of Air Canada**

Each of the Purchaser and Air Canada covenant to act reasonably in connection with any subsequent sale of Air Canada where it becomes a new entity (by merger, amalgamation or otherwise) (or the sale of all or substantially all of the assets of Air Canada) in order to ensure that any such purchaser of Air Canada where it becomes a new entity (by merger, amalgamation or otherwise) (or following the sale of all or substantially all of the assets of Air Canada) shall be a beneficiary of the Purchaser Letter of Credit (to the extent any such letter of credit has not expired or remains undrawn). Air Canada covenants in favour of the Purchaser that it shall not permit any such sale at a time when the Air Canada Letter of Credit is issued as contemplated by paragraph 1 above (to the extent any such letter of credit has not expired or remains undrawn) without such purchaser having arranged for a replacement Air Canada Letter of Credit to have been issued in favour of the Purchaser no later than the closing date of such sale on the same terms and conditions provided for in paragraph 1 above (and the applicable items of Exhibit 1).

- 5 -

8. Letters of Credit prior to Certification Date

The face amount of the Air Canada Letter of Credit, on the date hereof, shall be equal to the lesser of \$20,000,000 and the aggregate of the following amounts (the "Total Pre-Certification Date Amount"):

- (i) for the AC DB Plans in respect of the AC Non-Unionized Plan Beneficiaries, the present value of the remaining quarterly payments to be made to the Purchaser pursuant to Section 13 of the PBA commencing on the date which is 30 days prior to the date hereof and using the discount rate specified in Section 13 of the PBA;
- (ii) the Non-Unionized Disability Liability as of the Closing Date less the capital portion of all quarterly payments made to the Purchaser pursuant to Section 33 of the PBA since the Closing Date up to 30 days prior to the date hereof;
- (iii) the Non-Unionized Retiree Liability as of the Closing Date less the capital portion of all quarterly payments made to the Purchaser pursuant to Section 40 of the PBA since the Closing Date up to 30 days prior to the date hereof;
- (iv) in respect of the AC DB Plans for the AC Unionized Plan Beneficiaries, the sum of:
 - (a) the total of the Compensation Amounts in respect of the AC DB Plans in respect of the Engine, Component and Other Employees, as determined under Section 24 of the PBA (assuming the Certification Date occurred one month prior to the date hereof and calculated as if all Engine, Component and Other Employees as at the previous January 1 had become AC Unionized Plan Beneficiaries); and
 - (b) the total of the solvency deficits, if any, of the AC DB Plans in respect of the Airframe Employees as at the Certification Date (assuming the Certification Date occurred on the previous January 1 prior to the date hereof and calculated as if all Airframe Employees as at the previous January 1 had become AC Unionized Plan Beneficiaries);
- (v) the Unionized Disability Liability as of the Closing Date and agreed upon by the parties prior to the date hereof pursuant to the PBA; and
- (vi) the Unionized Retiree Liability as of the Closing Date and agreed upon by the parties prior to the date hereof pursuant to the PBA;

- 6 -

provided that if the Total Pre-Certification Date Amount is a negative amount, no Air Canada Letter of Credit shall be issued and the Purchaser shall cause to be delivered on the date hereof to Air Canada the Purchaser Letter of Credit in the face amount equal to the lesser of \$20,000,000 and the absolute value of the Total Pre-Certification Date Amount.

For greater clarity, if an amount calculated under any of sub-paragraphs 8(i), 8(iv)(a) or 8(iv)(b) is negative for any reason, including due to a Non-Unionized Adjustment greater than zero, such negative amount shall be deducted from the positive amounts, if any, calculated pursuant to the other sub-paragraphs (i) to (vi) of this paragraph 8.

A reduction schedule shall be agreed upon by Air Canada and the Purchaser and will be added to the Air Canada Letter of Credit or the Purchaser Letter of Credit, as the case may be, so that the face amount will reduce 30 days after each quarterly payment is made by the party who is not the beneficiary of the applicable letter of credit pursuant to Sections 13, 33 and 40, as the case may be, of the PBA once the absolute value of the Air Canada Payment Obligations less the Purchaser Payment Obligations is equal to or less than \$20,000,000 and in order to reflect the aggregate capital portion of net quarterly payments.

9. **Adjustments to Letters of Credit prior to Certification Date**

In the event that there is a Non-Unionized Adjustment pursuant to Section 13 of the PBA prior to the Certification Date, Air Canada shall calculate the aggregate of all amounts (the "Revised Total Pre-Certification Date Amount"), as of the date which is 30 days following the date of such adjustment, in sub-paragraphs (i) to (vi) of paragraph 8, subtracting, where applicable, the sum of the capital portion of all quarterly payments made to the Purchaser or Air Canada, as the case may be, not already deducted in such calculation up to such date. For greater certainty, the parties acknowledge that, other than the capital portion of all quarterly payments, only the amount in sub-paragraph (i) of paragraph 8 will be adjusted for purposes of calculating the Revised Total Pre-Certification Date Amount in the event of a Non-Unionized Adjustment.

After the date hereof and prior to the actual Certification Date, on an annual basis, Air Canada shall calculate the Revised Total Pre-Certification Date Amount, as at 30 days prior to the anniversary date of the Closing Date. For greater certainty, the parties acknowledge that, other than the capital portion of all quarterly payments only the amount in sub-paragraph (iv) of paragraph 8 will be adjusted for purposes of calculating the Revised Total Pre-Certification Date Amount on an annual basis. Air Canada shall provide

- 7 -

upon request evidence reasonably satisfactory to the Purchaser of all past service contributions remitted by Air Canada to the AC DB Plans prior to the Certification Date.

If the Revised Total Pre-Certification Date Amount is a positive amount, the Air Canada Letter of Credit shall promptly be amended, if necessary, or delivered so that the face amount thereof shall equal the lesser of \$20,000,000 and the Revised Total Pre-Certification Date Amount. If the Purchaser Letter of Credit is outstanding prior to the relevant revision calculation date, Air Canada shall promptly deliver such letter of credit for cancellation.

If the Revised Total Pre-Certification Date Amount is a negative amount, the Purchaser Letter of Credit shall promptly be amended, if necessary, or delivered so that the face amount thereof shall equal the lesser of \$20,000,000 and the absolute value of the Revised Total Pre-Certification Date Amount. If the Air Canada Letter of Credit is outstanding prior to the relevant revision calculation date, the Purchaser shall promptly deliver such letter of credit for cancellation.

In all events, the reduction schedule applicable to the Air Canada Letter of Credit or Purchaser Letter of Credit shall be added or revised to reflect the aggregate capital portion of net quarterly payments to be made by the party who is not the beneficiary of the applicable letter of credit pursuant to Sections 13, 33 and 40, as the case may be, of the PBA once the absolute value of the Air Canada Payment Obligations less the Purchaser Payment Obligations is equal to or less than \$20,000,000.

10. Letters of Credit following Certification Date

Provided the Certification Date occurs prior to January 30, 2014 and subject to paragraph 12 below, following the Certification Date, upon determination pursuant to the PBA and Supplement 5 of the Compensation Amounts in respect of the Engine, Component and Other Employees (if the total of such Compensation Amounts in respect of the Main Plan and the CAIL IAMAW Plan is greater than zero), the solvency deficit or surplus of each of the AC DB Plans in respect of the Airframe Employees, the Unionized Disability Liability and the Unionized Retiree Liability as of the Certification Date, the Air Canada Letter of Credit, if it is outstanding, shall be amended (in accordance with the terms hereof) such that the face amount shall equal the lesser of \$20,000,000 and the aggregate of the following amounts (the "Total Certification Date Amount"):

- (i) for the AC DB Plans in respect of the AC Non-Unionized Plan Beneficiaries, the present value of the remaining quarterly payments to

- 8 -

be made to the Purchaser pursuant to Section 13 of the PBA commencing on the date which is 30 days prior to the Certification Date and using the discount rate specified in Section 13 of the PBA;

- (ii) the Non-Unionized Disability Liability as of the Closing Date less the capital portion of all quarterly payments made to the Purchaser pursuant to Section 33 of the PBA since the Closing Date up to 30 days prior to the Certification Date; and
- (iii) the Non-Unionized Retiree Liability as of the Closing Date less the capital portion of all quarterly payments made to the Purchaser pursuant to Section 40 of the PBA since the Closing Date up to 30 days prior to the Certification Date;
- (iv) in respect of the AC DB Plans for the AC Unionized Plan Beneficiaries, the sum of:
 - (a) the Compensation Amount in respect of the Engine, Component and Other Employees, as determined under Section 24 of the PBA; and
 - (b) the solvency deficit, if any, at the Certification Date of the AC DB Plans in respect of the Airframe Employees;
- (v) the Unionized Disability Liability as of the Certification Date; and
- (vi) the Unionized Retiree Liability as of the Certification Date;

provided that if the Total Certification Date Amount is a negative amount, the Air Canada Letter of Credit, if it is outstanding, shall promptly be delivered for cancellation and the Purchaser shall, at such time, deliver to Air Canada the Purchaser Letter of Credit in the face amount equal to the lesser of \$20,000,000 and the absolute value of the Total Certification Date Amount or, if the Purchaser Letter of Credit is outstanding and the face amount thereof is different than the absolute value of the Total Certification Date Amount, amend the face amount thereof to equal the lesser of \$20,000,000 and the absolute value of the Total Certification Date Amount.

For greater clarity, if an amount calculated under either of sub-paragraphs 10(i) or 10(iv)(a) is negative for any reason, including due to a Non-Unionized Adjustment greater than zero, such negative amount shall be deducted from the positive amount, if any, calculated pursuant, to the other sub-paragraphs (i) to (vi) of this paragraph 10.

- 9 -

The reduction schedule applicable to the Air Canada Letter of Credit or the Purchaser Letter of Credit, as the case may be, shall be revised to reflect the aggregate capital portion of net quarterly payments to be made by the party who is not the beneficiary of the applicable letter of credit pursuant to Sections 13, 24, 33, 37, 40 and 41, as the case may be, of the PBA once the absolute value of the Air Canada Payment Obligations less the Purchaser Payment Obligations is equal to or less than \$20,000,000.

11. Adjustment to Letters of Credit following Certification Date

In the event that there is a Non-Unionized Adjustment pursuant to Section 13 of the PBA after the Certification Date, Air Canada shall calculate the aggregate of all amounts (the "Revised Total Certification Date Amount") as of the date which is 30 days following the date of such adjustment, in sub-paragraphs (i) to (vi) of paragraph 10, subtracting, where applicable, the sum of the capital portion of all quarterly payments under the PBA made to the Purchaser or Air Canada, as the case may be, not already deducted in such calculation up to such date except those under Section 5 of Supplement 5. For greater certainty, the parties acknowledge that, other than the capital portion of all quarterly payments, only the amount in sub-paragraph (i) of paragraph 10 will be adjusted for purposes of calculating the revised Total Certification Date Amount in the event of a Non-Unionized Adjustment.

Air Canada shall calculate the Revised Total Certification Date Amount as of the date which is 30 days following the DB Unionized Transfer Date if there is a Unionized Adjustment pursuant to Section 24 of the PBA. The parties acknowledge that, other than the capital portion of all quarterly payments, only the amount in sub-paragraph (iv) of paragraph 10 will be adjusted for purposes of calculating the revised Total Certification Date Amount in the event of a Unionized Adjustment. The parties further acknowledge that such amount shall equal the present value of the remaining quarterly payments to be made to the Purchaser pursuant to Section 24 of the PBA commencing on the date which is 30 days prior to the DB Unionized Transfer Date and using the discount rate specified in Section 24 of the PBA.

If the Revised Total Certification Date Amount is a positive amount, the Air Canada Letter of Credit shall promptly be amended, if necessary or delivered so that the face amount thereof shall equal the lesser of \$20,000,000 and the Revised Total Certification Date Amount. If the Purchaser Letter of Credit is outstanding prior to the relevant revision calculation date, Air Canada shall promptly deliver such letter of credit for cancellation.

If the Revised Total Certification Date Amount is a negative amount, the Purchaser Letter of Credit shall promptly be amended, if necessary, or

- 10 -

delivered so that the face amount thereof shall equal the lesser of \$20,000,000 and the absolute value of the Revised Total Certification Date Amount. If the Air Canada Letter of Credit is outstanding prior to the relevant revision calculation date, the Purchaser shall promptly deliver such letter of credit for cancellation.

In all events, the reduction schedule applicable to the Air Canada Letter of Credit or the Purchaser Letter of Credit shall be added or revised to reflect the aggregate capital portion of net quarterly payments to be made by the party who is not the beneficiary of the applicable letter of credit pursuant to Sections 13, 24, 33, 37, 40 and 41, as the case may be, of the PBA once the absolute value of the Air Canada Payment Obligations less the Purchaser Obligations is equal to or less than \$20,000,000.

12. Surrender of Air Canada Letter of Credit and Term of Letters of Credit

If the Certification Date does not occur prior to January 30, 2014, the Air Canada Letter of Credit, if outstanding, shall be surrendered for cancellation no later than March 1, 2014. If the Certification Date does occur prior to January 30, 2014, the Air Canada Letter of Credit or the Purchaser Letter of Credit, as the case may be, shall be amended to provide that it expires on the fifth anniversary of the Certification Date.

13. Amendment to Letters of Credit

A party shall not apply to the issuing financial institution or any replacement financial institution for any amendment that is required hereunder to be made to the relevant letter of credit, unless and until the other party has had a reasonable opportunity to review the terms and conditions contained in the proposed amendment and has consented to such proposed amendment in writing. Each party shall cooperate with any reasonable request made by the other party to it to effect any such amendment. For greater certainty, each party acknowledges that no amendments will be made to the relevant letter of credit unless and until the other party has consented in writing to the terms of such amendment.

14. Investment-Grade Trustee

The term "investment-grade trustee" as used in Exhibit 1 shall mean a trust company incorporated or continued under the *Trust and Loan Companies Act* (Canada) that is any one of the following trust companies or its subsequent successor:

- (i) The Bank of Nova Scotia Trust Company;

- 11 -

- (ii) BMO Trust Company;
- (iii) BNY Trust Company of Canada;
- (iv) The Canada Trust Company;
- (v) CIBC Mellon Trust Company;
- (vi) Computershare Trust Company of Canada;
- (vii) HSBC Trust Company (Canada);
- (viii) Laurentian Trust of Canada Inc.;
- (ix) The Royal Trust Company; or
- (x) State Street Trust Company Canada.

EXHIBIT 1 TO SCHEDULE A
LETTER OF CREDIT TO PURCHASER
ASSOCIATED WITH THE PENSION AND BENEFITS AGREEMENT

Drawdown is in respect of the following obligation(s)	Drawdown Conditions ¹
<p>1. Aggregate solvency deficit of AC DB Plans for AC Non-Unionized Plan Beneficiaries as of Closing Date (Section 13)</p> <p>and/or</p> <p>Non-Unionized Disability Liability as of the Closing Date (Section 33)</p> <p>and/or</p> <p>Non-Unionized Retiree Liability as of the Closing Date (Section 40)</p>	<p>(a) Certificate of Beneficiary certifying: either (i) non-payment under Section 13, Section 33 and/or Section 40 (partial draw for amount of non-payment), (ii) Insolvency of Air Canada, or (iii) notice of non-renewal of the letter of credit by issuer and Air Canada has not provided a replacement letter of credit on the same terms (with a face amount reduced as permitted herein) within 21 days prior to expiry; and</p> <p>(b) if Beneficiary is Insolvent, as per Exhibit 2.</p>

¹ In the period following the Certification Date prior to final determination of the relevant aggregate solvency deficit or liability, payment of the relevant obligation under the relevant section of the Agreement will be deemed to have been made for purposes of determining the ability of the Beneficiary to draw on the related letter of credit if payment is made based on the then most current estimate reasonably used by Air Canada for purposes of calculating the applicable quarterly payment of such solvency deficit or liability.

Drawdown is in respect of the following obligation(s)	Drawdown Conditions ¹
<p>2. Aggregate solvency deficit of AC DB Plans for AC Unionized Plan Beneficiaries (Section 24)²</p>	<p>Prior to Certification Date:</p> <p>Certificate of Beneficiary certifying:</p> <ul style="list-style-type: none"> (a) Certification Date has not occurred; and (b) either (A) (i) a competent tribunal has found in a non-appealable judgment that Beneficiary has become liable to pay an amount in respect of benefits earned by the AC Unionized Plan Beneficiaries under an AC DB Plan for AC Unionized Plan Beneficiaries, (ii) Air Canada has failed to pay such amount, and (iii) Beneficiary has paid such amount (partial draw for amount paid by Beneficiary); or (B) non-renewal of the letter of credit by issuer and Air Canada has not provided a replacement letter of credit on the same terms (with a face amount reduced as permitted herein) within 21 days prior to expiry. <p>Additionally, if Beneficiary is Insolvent, as per Exhibit 2.</p>

² If there is an aggregate solvency surplus and if required pursuant to Schedule A, Purchaser to provide letter of credit with equivalent provisions (drawdown conditions in (b) only under "After the Certification Date" to apply in all circumstances) to Air Canada. In the event of a Non-Unionized Adjustment and if required pursuant to Schedule A, Purchaser to provide letter of credit with drawdown conditions applicable to Section 13 under item 1 of this Exhibit 1, adapted as necessary to apply thereto.

3

Drawdown is in respect of the following obligation(s)	Drawdown Conditions ¹
	<p>After Certification Date:</p> <p>Certificate of Beneficiary certifying:</p> <ul style="list-style-type: none"> (a) Certification Date has occurred; and (b) either (i) non-payment under Section 24 (partial draw for amount of non-payment), (ii) Insolvency of Air Canada, or (iii) notice of non-renewal of the letter of credit by issuer and Air Canada has not provided a replacement letter of credit on the same terms (with a face amount reduced as permitted herein) within 21 days prior to expiry. <p>Additionally, if Beneficiary is Insolvent, as per Exhibit 2.</p>

- 4 -

Drawdown is in respect of the following obligation(s)	Drawdown Conditions ¹
<p>3. Unionized Disability Liability as contemplated under Section 37 of the PBA</p> <p>and/or</p> <p>Unionized Retiree Liability as contemplated under Section 41 of the PBA</p>	<p>Prior to Certification Date:</p> <p>Certificate of Beneficiary certifying:</p> <p>(a) Certification Date has not occurred; and</p> <p>(b) either (A) a competent tribunal has found in a non-appealable judgment that Beneficiary has become liable (to the exclusion of Air Canada) to pay an amount in respect of the Unionized Disability Liability and/or the Unionized Retiree Liability (partial draw for amount paid by Beneficiary, subject to a minimum threshold acceptable to issuer), or (B) notice of non renewal of the letter of credit by issuer and Air Canada has not provided a replacement letter of credit on the same terms (with a face amount reduced as permitted herein) within 21 days prior to expiry.</p> <p>Additionally, if Beneficiary is Insolvent, as per Exhibit 2.</p>
	<p>After Certification Date:</p> <p>Certificate by Beneficiary certifying:</p> <p>(a) Certification Date has occurred; and</p> <p>(b) either (i) non-payment under Section 37 and/or Section 41 (partial draw for amount of non-payment), (ii) Insolvency of Air Canada, or (iii) notice of non-renewal of the letter of credit by issuer and Air Canada has not provided a replacement letter of credit on the same terms (with a face amount reduced as permitted herein) within 21 days prior to expiry.</p> <p>Additionally, if Beneficiary is Insolvent, as per Exhibit 2.</p>

-5-

EXHIBIT 2 TO SCHEDULE A

DRAWDOWN CONDITIONS WHERE BENEFICIARY IS INSOLVENT

Drawdown Conditions

If Beneficiary is Insolvent, certificate of an investment-grade trustee to the effect that the drawdowns under the letter of credit will be held in trust and that adequate arrangements have been made such that during such Insolvency funds in the trust shall be used only for payments related to the relevant obligation or obligations for which there has been a drawdown being one or more of the following obligations:

- (i) payments for required contributions in respect of the deficit related to the benefits earned by the AC Non-Unionized Plan Beneficiaries under the AC DB Plans prior to the Closing Date,
- (ii) payments in respect of the Non-Unionized Disability Liability,
- (iii) payments in respect of the Non-Unionized Retiree Liability,
- (iv) payments for required contributions in respect of benefits earned by the AC Unionized Plan Beneficiaries under the AC DB Plans prior to the Certification Date,
- (v) payments in respect of the Unionized Disability Liability, and/or
- (vi) payments in respect of the Unionized Retiree Liability,

the whole in spite of the Beneficiary Insolvency and such payment will be made in respect of the applicable liability or liabilities as and when payments in respect thereof become due.

No 500-11-042345-120

SUPERIOR COURT (Commercial Division)
DISTRICT OF MONTRÉAL

IN THE MATTER OF THE PROPOSED PLAN OF
COMPROMISE AND ARRANGEMENT OF :

AVEOS FLEET PERFORMANCE INC. / AVEOS
PERFORMANCE AÉRONAUTIQUE INC.

And
AERO TECHNICAL US, INC.

Insolvent Debtors/Petitioners

And
FTI CONSULTING CANADA INC.

Monitor

And
AIR CANADA and
CANADIAN IMPERIAL BANK OF CANADA
And AL.

Mises-en-cause

Me Roger P. Simard/ Our file: 548732-001

EXHIBIT R-1e)



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