

**No: 500-11-042345-120**

## **EXHIBIT R-2**

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



Trade Finance Centre

2106C BIL-104 2

12 March 2011  
Place and date of issue / Lieu et date d'émission

Letter of Credit Reference No. SBG746187

**Beneficiary:**

AVEOS FLEET PERFORMANCE INC.  
2311 ALFRED-NOBEL BOULEVARD  
ZIP 8060  
SAINT-LAURENT, QUEBEC H4S 2B6

**Applicant:**

Air Canada  
7373 COTE-VERTU WEST  
SAINT-LAURENT, QUEBEC  
H4Y 1Z3

**Amount:** CAD 20,000,000.00  
Twenty Million Canadian Dollars

**Date of Expiry:** 11 March 2011

AT THE REQUEST AND FOR THE ACCOUNT OF AIR CANADA, 7373 COTE-VERTU WEST, DORVAL, QUEBEC, H4Y 1H4 (HEREINAFTER REFERRED TO AS "APPLICANT" OR "AC") WE, CANADIAN IMPERIAL BANK OF COMMERCE, TRADE FINANCE CENTRE, 1155 RENE-LEVESQUE BLVD. WEST, 12TH FLOOR, MONTREAL, QUEBEC H3B 3Z4 (HEREINAFTER REFERRED TO AS "CIBC") HEREBY ISSUE IN FAVOR OF AVEOS FLEET PERFORMANCE INC., 2311 ALFRED-NOBEL BOULEVARD, ZIP 8060, SAINT-LAURENT, QUEBEC, H4S 2B6 (HEREINAFTER REFERRED TO AS "YOU" OR "BENEFICIARY") THIS IRREVOCABLE STANDBY LETTER OF CREDIT (HEREINAFTER REFERRED TO AS THE "CREDIT") FOR AN AMOUNT NOT EXCEEDING CAD\$20,000,000 (TWENTY MILLION CANADIAN DOLLARS) IN RESPECT OF AC'S PAYMENT OBLIGATIONS PURSUANT TO THE PENSION AND BENEFITS AGREEMENT SIGNED BY "INTER ALIA" APPLICANT AND BENEFICIARY ON JUNE 22, 2007 AS AMENDED, RESTATED, SUPPLEMENTED OR MODIFIED FROM TIME TO TIME, (HEREINAFTER REFERRED TO AS THE "AGREEMENT").

THIS CREDIT IS AVAILABLE FOR PAYMENT AT OUR COUNTERS, LOCATED AT TRADE FINANCE CENTRE, 1155 RENE-LEVESQUE BLVD. WEST, 12TH FLOOR, MONTREAL, QUEBEC H3B 3Z4 ON FIRST DEMAND UPON PRESENTATION OF THE FOLLOWING DOCUMENTS:

- (A) BENEFICIARY'S SIGNED DRAWDOWN CERTIFICATE IN THE FORM OF ANNEX A ATTACHED, AND
- (B) THE ORIGINAL CREDIT.

ONLY IN THE EVENT THAT BENEFICIARY IS INSOLVENT, AS STATED IN ANNEX A, A SIGNED TRUSTEE CERTIFICATE IN THE FORM OF ANNEX B ATTACHED ("TRUSTEE CERTIFICATE") MUST BE PRESENTED ALONG WITH THE BENEFICIARY'S CERTIFICATE IN THE FORM OF ANNEX A.

PARTIAL DRAWINGS ARE ALLOWED.

THIS CREDIT EXPIRES AT OUR COUNTERS ON MARCH 11, 2011 (THE "INITIAL EXPIRY DATE"); HOWEVER IT IS DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE THEREOF TO EXPIRE NOT LATER THAN FEBRUARY 15, 2019 (THE "FINAL EXPIRY DATE") UNLESS AT LEAST 60 DAYS PRIOR TO ANY SUCH EXPIRATION DATE WE NOTIFY YOU AND AC IN WRITING THAT WE ELECT NOT TO CONSIDER THIS CREDIT RENEWED FOR ANY SUCH ADDITIONAL PERIOD. UPON RECEIPT OF SUCH NOTICE YOU MAY CALL FOR PAYMENT OF THE OUTSTANDING AMOUNT OF THE CREDIT UPON PRESENTATION OF THE DOCUMENTS STIPULATED ABOVE. IN ANY EVENT THIS CREDIT WILL NOT BE EXTENDED BEYOND FEBRUARY 15, 2019].



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This Page forms an integral part of our Letter of Credit No. SBGM746187.

THIS CREDIT IS SUBJECT TO THE VERSION OF THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, INTERNATIONAL CHAMBER OF COMMERCE, PARIS, FRANCE, WHICH IS IN EFFECT ON THE DATE OF ISSUE.

THE NUMBER OF THE CREDIT AND THE NAME OF OUR BANK MUST BE QUOTED ON THE DOCUMENT REQUIRED.

ALL DOCUMENTS MUST BE FORWARDED TO CANADIAN IMPERIAL BANK OF COMMERCE, TRADE FINANCE CENTRE, 1155 RENE-LEVESQUE BLVD. WEST, 12TH FLOOR, MONTREAL, QUEBEC H3B 3Z4, BY COURIER OR IN PERSON CHARGES FOR BENEFICIARY'S ACCOUNT.



This Page forms an integral part of our Letter of Credit No. SBGM746187.

THIS ANNEX A FORMS AN INTEGRAL PART OF OUR STANDBY LETTER OF CREDIT NO. SBGM746187 AND IS TO BE ATTACHED THERETO.

ANNEX A

Beneficiary's letterhead

DRAWDOWN CERTIFICATE

DATE: ...

TO:  
CANADIAN IMPERIAL BANK OF COMMERCE (THE ISSUING BANK)  
[ ]

REF: YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [ ] (THE "CREDIT").

WE, AVEOS FLEET PERFORMANCE INC., THE "BENEFICIARY" OF THE ABOVE-REFERENCED CREDIT, HEREBY CLAIM PAYMENT OF CAD ... ( ... CANADIAN DOLLARS) UNDER THIS CREDIT.

WE CONFIRM THAT (One or more of (I), (II) and (III) to be appropriately selected and completed by the Beneficiary):

(I) SAID PAYMENT IS DUE TO US AS A RESULT OF (one of the 3 options to be selected by the Beneficiary):

- AIR CANADA HAS DEFAULTED IN ITS PAYMENT OBLIGATIONS UNDER SECTION(S) \_\_\_\_\_ (indicate one or more of Sections 13, 33 and 40 of the Agreement) OF THE AGREEMENT (AS DEFINED IN THE CREDIT).

- INSOLVENCY OF AIR CANADA.

- A NON RENEWAL NOTICE OF THE CREDIT HAS BEEN RECEIVED BY US FROM CIBC AND AIR CANADA HAS NOT PROVIDED US A REPLACEMENT LETTER OF CREDIT ON THE SAME TERMS AND FOR THE SAME OUTSTANDING AMOUNT AS THE CREDIT AT LEAST 21 DAYS PRIOR TO EXPIRY DATE OF THE CREDIT.

(II) (A or B to be selected by the Beneficiary):

(A) CERTIFICATION DATE (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) HAS NOT OCCURRED (one of the 2 options to be selected by the Beneficiary)

- (i) A COMPETENT TRIBUNAL HAS FOUND IN A NON-APPEALABLE JUDGEMENT THAT BENEFICIARY HAS BECOME LIABLE TO PAY AN AMOUNT IN RESPECT OF BENEFITS EARNED BY THE AC UNIONIZED PLAN BENEFICIARIES (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) UNDER AN AC DB PLAN (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) FOR AC UNIONIZED PLAN BENEFICIARIES, (ii) AIR CANADA HAS FAILED TO PAY SUCH AMOUNT AND (iii) BENEFICIARY HAS PAID SUCH AMOUNT.



This Page forms an integral part of our Letter of Credit No. SBGM746187.

- A NON-RENEWAL NOTICE OF THE CREDIT HAS BEEN RECEIVED BY US FROM CIBC AND AIR CANADA HAS NOT PROVIDED US A REPLACEMENT LETTER OF CREDIT ON THE SAME TERMS AND FOR THE SAME OUTSTANDING AMOUNT AS THE CREDIT AT LEAST 21 DAYS PRIOR TO EXPIRY DATE OF THE CREDIT.

OR

(B) CERTIFICATION DATE HAS OCCURRED (one of the 3 options to be selected by the Beneficiary)

- AIR CANADA HAS DEFAULTED IN ITS PAYMENT OBLIGATIONS UNDER SECTION 24 OF THE AGREEMENT (AS DEFINED IN THE CREDIT).

- INSOLVENCY OF AIR CANADA.

- A NON-RENEWAL NOTICE OF THE CREDIT HAS BEEN RECEIVED BY US FROM CIBC AND AIR CANADA HAS NOT PROVIDED US A REPLACEMENT LETTER OF CREDIT ON THE SAME TERMS AND FOR THE SAME OUTSTANDING AMOUNT AS THE CREDIT AT LEAST 21 DAYS PRIOR TO EXPIRY DATE OF THE CREDIT.

(III) (A or B to be selected by the Beneficiary):

(A) CERTIFICATION DATE (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) HAS NOT OCCURRED (one of the 2 options to be selected by the Beneficiary)

- A COMPETENT TRIBUNAL HAS FOUND IN A NON-APPEALABLE JUDGEMENT THAT BENEFICIARY HAS BECOME LIABLE (TO THE EXCLUSION OF AIR CANADA) TO PAY AN AMOUNT IN RESPECT OF THE UNIONIZED DISABILITY LIABILITY AS DEFINED UNDER THE AGREEMENT AS DESCRIBED IN THE CREDIT AND/OR THE UNIONIZED RETIREE LIABILITY AS DEFINED UNDER THE AGREEMENT DESCRIBED IN THE CREDIT.

- A NON-RENEWAL NOTICE OF THE CREDIT HAS BEEN RECEIVED BY US FROM CIBC AND AIR CANADA HAS NOT PROVIDED US A REPLACEMENT CREDIT ON THE SAME TERMS AND FOR THE SAME OUTSTANDING AMOUNT OF THE CREDIT AT LEAST 21 DAYS PRIOR TO EXPIRY DATE OF THE CREDIT.

OR

(B) CERTIFICATION DATE HAS OCCURRED (one of the 3 options to be selected by the Beneficiary).

- AIR CANADA HAS DEFAULTED IN ITS PAYMENT OBLIGATIONS UNDER SECTION(S) \_\_\_\_\_ (indicate one or more of Sections 37 and 41 of the Agreement) OF THE AGREEMENT (AS DEFINED IN THE CREDIT).

- INSOLVENCY OF AIR CANADA.

- A NON-RENEWAL NOTICE OF THE CREDIT HAS BEEN RECEIVED BY US FROM CIBC AND AIR CANADA HAS NOT PROVIDED US A REPLACEMENT LETTER OF CREDIT ON THE SAME TERMS AND FOR THE SAME OUTSTANDING AMOUNT AS THE CREDIT AT LEAST 21 DAYS PRIOR TO EXPIRY DATE OF THE CREDIT.

WE ALSO CONFIRM THAT (only one option to be selected by the Beneficiary)

- WE ARE NOT INSOLVENT (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT). PLEASE WIRE THE FUNDS TO OUR ACCOUNT NO.....



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This Page forms an integral part of our Letter of Credit No. SBCM746187.

- WE ARE INSOLVENT (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT). PLEASE WIRE THE FUNDS TO THE TRUSTEE'S ACCOUNT SET OUT IN THE TRUSTEE CERTIFICATE ATTACHED. THE TRUSTEE IDENTIFIED IN THE TRUSTEE CERTIFICATE ATTACHED IS AN INVESTMENT GRADE TRUSTEE (AS DEFINED IN THE AGREEMENT).

IN WITNESS WHEREOF, THE UNDERSIGNED HAS EXECUTED THIS DRAWDOWN CERTIFICATE AS OF THE \_\_\_\_ DAY OF \_\_\_\_, 20\_\_.

AVEOS FLEET PERFORMANCE INC.

BY: \_\_\_\_\_

NAME:

TITLE:



Place and date of issue / Lieu et date d'émission  
12 March 2010

This Page forms an integral part of our Letter of Credit No. SBGM746187.

TRUSTEE CERTIFICATE

THIS ANNEX B FORMS AN INTEGRAL PART OF OUR STANDBY LETTER OF CREDIT NO. SBGM746187 AND IS TO BE ATTACHED THERETO.

ANNEX B

Trustee's letterhead

TRUSTEE CERTIFICATE

DATE: . . .

TO:

(THE ISSUING BANK)

REF: YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO.  (THE "CREDIT").

WE, . . . Trustee's name and address. . . , CERTIFY THAT THE AMOUNT DRAWN BY BENEFICIARY UNDER THIS CREDIT WILL, WHEN PAID INTO OUR ACCOUNT AS INSTRUCTED BELOW, BE HELD IN TRUST AND THAT ADEQUATE ARRANGEMENTS HAVE BEEN MADE SUCH THAT:

(I) ANY REQUIRED CONTRIBUTIONS IN RESPECT OF THE DEFICIT RELATED TO THE BENEFITS EARNED BY THE AC NON-UNIONIZED PLAN BENEFICIARIES (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) UNDER THE AC DB PLANS (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) PRIOR TO THE CLOSING DATE (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT);

(II) ANY REQUIRED CONTRIBUTIONS IN RESPECT OF BENEFITS EARNED BY THE AC UNIONIZED PLAN BENEFICIARIES (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) UNDER THE AC DB PLANS (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT) PRIOR TO THE CERTIFICATION DATE (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT);

(III) PAYMENTS IN RESPECT OF THE NON-UNIONIZED DISABILITY LIABILITY (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT);

(IV) PAYMENTS IN RESPECT OF THE UNIONIZED DISABILITY LIABILITY (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT);

(V) PAYMENTS IN RESPECT OF THE NON-UNIONIZED RETIREE LIABILITY (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT); OR

(VI) PAYMENTS IN RESPECT OF THE UNIONIZED RETIREE LIABILITY (AS DEFINED IN THE AGREEMENT DESCRIBED IN THE CREDIT);



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AS THE CASE MAY BE, WILL, IN EACH CASE, BE MADE OR WILL CONTINUE TO BE MADE FROM SUCH TRUST DURING THE BENEFICIARY'S INSOLVENCY WHEN REQUIRED IN RESPECT OF THE RELEVANT OBLIGATION OR OBLIGATIONS FOR WHICH THERE HAS BEEN A DRAWDOWN UNDER THE CREDIT AND IN SPITE OF THE BENEFICIARY'S INSOLVENCY AND WILL BE MADE IN RESPECT OF THE APPLICABLE LIABILITY OR LIABILITIES AS AND WHEN SUCH CONTRIBUTIONS AND/OR PAYMENTS BECOME DUE UNLESS WE ARE RESTRAINED IN MAKING SUCH PAYMENTS REQUIRED AS CONTRIBUTIONS BY AN ORDER OF A COURT OF COMPETENT JURISDICTION.

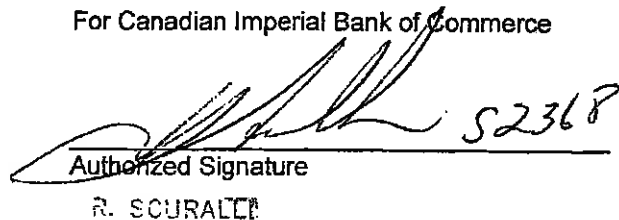
PLEASE WIRE THE FUNDS TO OUR ACCOUNT NO. . .

IN WITNESS WHEREOF, THE UNDERSIGNED HAS EXECUTED THIS DRAWDOWN CERTIFICATE AS OF THE \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_.

Trustee's name . . .

BY: \_\_\_\_\_  
NAME:  
TITLE:

  
Counter Signature  
**M. CAPANO**

For Canadian Imperial Bank of Commerce  
  
Authorized Signature  
**R. SCURATI**



No 500-11-042345-120

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SUPERIOR COURT (Commercial Division)  
DISTRICT OF MONTRÉAL

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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

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

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## EXHIBIT R-2

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Dentons Canada LLP  
1 Place Ville Marie, Suite 3900  
Montréal QC H3B 4M7  
Tel. : 514 878 8800  
Fax : 514 866 2241

dentons.com  
BB0822