

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-

**IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED:**

**AVEOS FLEET PERFORMANCE INC. /
AVEOS PERFORMANCE AÉRONAUTIQUE
INC.**, a company duly incorporated under the
laws of Canada, having its registered office and
principal place of business at BAN3, 2311,
Alfred-Nobel blvd., in the City of Montréal,
district of Montréal, Province of Québec,
H4S 2B6

And

AERO TECHNICAL US, INC., a company
duly incorporated under the laws of Delaware,
having its registered office at 1201 Orange Street,
Wilmington, Delaware, United States, 19801

Petitioners

And

FTI CONSULTING CANADA INC. a
company duly incorporated under the laws of
Canada, having its registered office at TD
Waterhouse Tower, 79 Wellington Street West,
Suite 2010, P.O. Box 104, in the City of Toronto,
Ontario, M5K 1G8

Monitor

PETITION FOR THE ISSUANCE OF AN INITIAL ORDER
(Sections 11 and seq. of the *Companies' Creditors Arrangement Act* ("CCAA"))

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL CHAMBER, IN AND FOR THE JUDICIAL DISTRICT OF MONTREAL, THE PETITIONER RESPECTFULLY SUBMITS THE FOLLOWING:

I. INTRODUCTION AND OVERVIEW

(A) SUMMARY

1. Aveos Fleet Performance Inc. ("**Aveos**", and together with Aero Technical US, Inc. ("**Aero US**"), the "**Petitioners**") is a full-service maintenance, repair and overhaul ("**MRO**") provider to the airline industry. Aveos operates maintenance centres across Canada and employs approximately 2,620 persons in Canada on a permanent basis. Aero US, is the sales and marketing arm of Aveos in the United States ("**U.S.**") and employs approximately 7 persons in the U.S. Aero U.S. is fully financed by Aveos and, as described herein, is a guarantor under certain of Aveos' debt obligations.
2. Aveos' business operations are primarily out of four locations: Montréal (Pierre Elliott Trudeau International Airport), Toronto (Lester B. Pearson International Airport), Winnipeg (Winnipeg International Airport) and Vancouver (Vancouver International Airport). Aveos owns the building out of which it operates in Montréal, but in each other case, Aveos leases facilities (in Montréal the underlying land and in all other instances, the land and the physical structure) from Air Canada pursuant to a Master Lease Agreement.
3. The Petitioners have experienced uncertain work volume across Aveos' business lines from Aveos' principal customer, Air Canada. Since the beginning of 2012, Air Canada has reduced, deferred and cancelled maintenance work with Aveos which has resulted in \$16 million lost revenue in less than two calendar months. While Aveos remained ready, willing and able to perform such work, the lost of such work has been devastating to Aveos' financial position.
4. Along with the disputes with Air Canada, the profitability of Aveos' business has been impacted by crushingly high labour costs, rising fuel prices and reduced airline traffic. Despite Aveos' significant North American presence, its business is global; airlines and other customers of airplane maintenance services can fly their aircraft anywhere in the world to obtain the most efficient and cost-effective maintenance services. As a result, Aveos' competitors are located not only in the United States and

Canada, but increasingly, low cost MROs are operating in Central and South America.

5. As a result of the overall weakening of the global economy and increased fuel prices, airlines, are confronting financial difficulties and have taken measures to reduce costs, resulting, in turn, in a decrease in the demand for MRO services in Canada. As Aveos' labour costs are largely dictated by collective bargaining agreements, Aveos cannot compete with low cost providers of MRO services.
6. In addition to its unsustainable labour costs, exacerbated by a series of unfavorable labour rulings that have penalized Aveos for attempting to make necessary cost cutting measures, over the past three months, Air Canada has refused to deliver its equipment for scheduled maintenance, thereby depriving Aveos of both necessary revenue and productive work for its employees. Despite the exclusivity provisions of Aveos' maintenance contracts with Air Canada, the airline continues to solicit undercutting bids from third-party providers. The result has been a substantial decrease in revenues to Aveos that, combined with very high labour costs, has resulted in ongoing losses and a current liquidity crisis.
7. As a result of these circumstances, the Petitioners are now suffering a liquidity crisis and they cannot continue to sustain operating losses.
8. As a result of its liquidity crisis, on the evening of March 18, 2012, Aveos terminated the employment of all of its employees in its Air Frames Division, and notified all other of its employees to not report for work as of Monday, March 19, 2012.
9. A number of suppliers have put Aveos on COD, sent letters of demand and initiated legal actions including a seizure before judgment.
10. The Petitioners require a short stay of proceedings in order to provide them with the time required to determine if Aveos can obtain additional liquidity, including payment by Air Canada of amounts owing to Aveos by Air Canada under various contracts, in order to resume certain operations.
11. The Petitioners are each a debtor company under the *Companies' Creditors Arrangement Act* ("**CCA**") and claims against the Petitioners exceed \$5,000,000. The CCA therefore applies in respect of the Petitioners. The Petitioners makes this petition for the issuance of an initial Order under the CCA.

(B) CORPORATE HISTORY

12. Aveos was originally formed in 1937 as the in-house technical maintenance division of Air Canada. Aveos, and its predecessors, have served non-Air

Canada customers since 1968, but Air Canada remains, by far, its largest customer.

13. On September 30, 2004, Air Canada transferred the technical services business to a subsidiary, ACTS Limited Partnership, through a plan of arrangement under the CCAA. As a result, ACTS Limited Partnership assumed substantially all of the assets, as well as certain specified liabilities, of the technical services business. As part of this corporate restructuring, ACTS Limited Partnership entered into several commercial and services agreements with Air Canada. These included a Master Services Agreement ("**Master Services Agreement**") under which Air Canada provided infrastructure support in the areas of information technology, human resources, finance and accounting and legal services, and a General Services Agreement that created the terms under which (i) certain MRO services are provided to Air Canada pursuant to separate service agreements; and (ii) the services of seconded Air Canada employees were provided to Aveos. In addition, long-term commercial agreements were signed in October 2006 that established ACTS Limited Partnership as Air Canada's primary MRO provider. These agreements with Air Canada are discussed in greater detail below.
14. On November 23, 2006, ACTS Limited Partnership transferred the business to ACTS L.P., and on October 16, 2007, ACTS L.P. transferred the business to ACTS Aero Technical Support & Services Inc. as part of a purchase transaction (the "**2007 Purchase Transaction**"). The new owners of the company included KKR, Sageview Capital and ACE (Air Canada's parent company). The company's name was changed to Aveos Fleet Performance Inc. on September 23, 2008.
15. The organizational structure of Aveos and other related parties is set out in the chart attached hereto as Exhibit P-1. Aero Technical Support & Services Holdings ("**ATSS**") is the parent company of Aveos and is a privately held company domiciled in Luxembourg. ATSS is wholly owned by Aveos Holding Company, a privately held Cayman corporation ("**Holdings**").
16. In 2010, Aveos undertook an out-of-court debt restructuring and renegotiated certain of its contracts with Air Canada (the "**2010 Restructuring**"). Pursuant to the 2010 Restructuring, Aveos reduced its pre-existing debt in exchange for equity in the newly created Holdings, which became the owner of 100% of the equity interest in ATSS and new revolving, term and unsecured debt from its pre-existing third party obligees.

II. DESCRIPTION OF THE BUSINESS

(A) CORE BUSINESS SEGMENTS

17. Aveos operates primarily out of four Canadian locations: Montréal (Pierre Elliott Trudeau International Airport), Toronto (Lester B. Pearson International Airport), Winnipeg (Winnipeg International Airport) and Vancouver (Vancouver International Airport). In each case, Aveos leases facilities from Air Canada pursuant to a Master Lease Agreement. Airframe services are provided out of all four locations, whereas engine services and component services are provided primarily in Montréal. Aveos also stores inventory at warehouse facilities in the United States in Memphis, Tennessee and Miami, Florida.
18. Aveos provides a comprehensive bundle of MRO services through three core business segments, specifically, airframe services, engine services, and component services. Each of such core business segments is described below.
 - a) **Airframe Services** - consist primarily of airframe repair and modifications including hull repairs, window replacements, corrosion treatment, engineering upgrades, wing modifications and general restoration functions. Aveos operates technologically advanced facilities in Montréal, Winnipeg and Vancouver at which skilled airframe, structural and avionics engineers and specialized personnel inspect, repair and certify the world's leading aircraft while mastering the newest materials and equipment.
 - b) **Engine Services** - involves repair and overhaul services for engines and repair services for individual parts. Engine services are complex and material-intensive activities that, like airframe services, are regularly scheduled events whose completion time varies based on the age and complexity of the engine and its related parts. Aveos offers extensive management, repair and overhaul services for General Electric, CFM International and Pratt & Whitney engines, along with Honeywell auxiliary power units. As a full-service provider with a reputation for quality and reliability and one of the industry's highest first-time pass rates, Aveos is capable of delivering repaired engines that provide superior on-wing life.
 - c) **Component Services** – among other things, the component business provides for the repair and installation of removable aircraft parts such as hydraulics, wheels, landing gear, brakes and flight controls. Component maintenance services are often complementary to airframe maintenance services as components can be repaired while the aircraft is in the hangar for airframe services. Aveos offers one of the industry's broadest component maintenance services for Airbus, Boeing and Bombardier aircraft and was expanding its capabilities to further support the Embraer E-Jet family. In addition, Aveos offers many value-added services

including logistic support, customs clearance and 24-hour emergency "Aircraft On Ground" support.

19. The large majority of Aveos' revenues are generated through long-term service contracts, the most significant of which are the Air Canada contracts described below. Aveos also provides services for JetBlue, Canadian North, certain regional airlines and governments. In addition to long-term contracts, Aveos provides services related to unexpected short-term events, which are typically generated due to capacity constraints at another provider or unplanned maintenance requirements.

III. AVEOS' FINANCIAL CONDITION

(A) GENERAL

20. The Petitioners are insolvent corporations.
21. Attached as Exhibit P-2 are the most recent unaudited financial statements for Aveos for the nine-month period ending September 30, 2011 (the "**Statements**"). The unaudited financial statements for Aero US for the 13 month period ending February 29, 2012 are attached as Exhibit P-3. The unaudited interim financial statements for Aveos for each of October, November and December, 2011 (the "**2011 Q4 Financials**") are attached as Exhibit P-4. The unaudited interim financial statements for Aveos for January 2012 (the "**January 2012 Financials**") are attached as Exhibit P-5.
22. As of September 30, 2011, based upon the Statements, the liabilities of Aveos exceeded the book value of its assets by more than \$165 million. As of January 31, 2012, based upon the January 2012 Financials, the liabilities of Aveos exceeded the book value of its assets by \$219.8 million.
23. As shown by the Statements, Aveos suffered an operational deficit for this nine-month period (before income taxes) of \$9.552 million. The 2011 Q4 Financials showed a net loss (before tax) of \$48.9 million.
24. As described in further detail below, the principal amount owing under the ABL First Lien Credit Agreement (as defined below) is US \$75 million and the principal amount owing under the Take Back Second Lien Credit Agreement (as defined below) is US \$123.298 million (collectively, the "Third Party Secured Loans"). The principal amount owing under the Assigned Third Lien Loan (as defined below) by Aveos to Holdings is approximately US \$217,051.317.
25. The principal amount owing under the Third Party Secured Loans, secured against the assets of both Petitioners, is US \$198.298 million. Accordingly, the lenders to whom the Third Party Secured Loans are owed (collectively, the "**Third Party Secured Lenders**") are the primary economic stakeholders

of the Petitioners. As described below, each Petitioner has granted hypothecs and/or liens over all of its assets as security for such Third Party Secured Lenders.

26. To summarize, the liabilities of Aveos significantly exceed the value of its assets.
27. Although Aveos has suffered from operating losses for several years, the disputes with Air Canada and its inability to reduce its labour costs are the most significant impediments to returning to profitability and restructuring its long term debt obligations.
28. and, given current operational constraints and market conditions, it does not foresee that it will soon become profitable without a significant restructuring of its business and debt obligations.

(B) CASH MANAGEMENT

29. Aveos has designed the Cash Management System to meet its operating needs, enable it to centrally control and monitor corporate funds, ensure cash availability and liquidity, invest excess cash, comply with the requirements of its financing agreements, reduce administrative expenses by facilitating the movement of funds, and enhance the development of accurate account balances.
30. The cash management system (the "**Cash Management System**") consists of approximately 16 bank accounts with the following financial institutions: (a) Bank of Nova Scotia; (b) Banque de Montreal; and (c) Harris Bank in the United States. A chart outlining the structure of the Cash Management System is attached as Exhibit P-6.
31. Aveos' financial personnel manage the Cash Management System from Aveo's offices in Montréal with certain services outsourced to Air Canada (as described below).
32. The funds received from clients are in Canadian or United States currency, and are deposited into two lockbox or blocked accounts held by Aveos at Bank of Montreal pursuant to a control agreement (collectively, the "**Blocked Accounts**").
33. Once received in the Blocked Accounts, the funds are transferred into United States or Canadian currency general accounts held at Bank of Montreal (the "**General Accounts**"), from which, in turn, funds are transferred to various payable accounts belonging to Aveos, all of which payable accounts are at Bank of Montreal, Bank of Nova Scotia and, in the United States at Harris Bank.
34. All cheques and electronic fund transfers are processed through Air Canada's systems (Air Canada is essentially Aveos' payment processing

provider); Aveos directs Air Canada to send a transfer request to the applicable bank and then funds the relevant account from which payments are to be made from the General Account and the applicable bank executes the payment; Aveos pays Air Canada a monthly fee for its processing services.

35. The Cash Management System further provides Aveos with the ability to, among other things: (a) quickly create status reports on the location and amount of funds, which in turn, allows management to track and control such funds; (b) ensure cash availability; and (c) reduce administrative costs through a centralized method of coordinating the collection and movement of funds. These controls are crucial given the significant volume of cash transactions managed through the Cash Management System on a daily basis and the international nature of Aveos' operations. Additionally, with the assistance of its advisors, Aveos has implemented internal control procedures that prohibit payments on account of prepetition debts without the prior approval of Aveos' finance department.
36. As described herein, Aero US is fully financed by Aveos and relies on intercompany transfers from Aveos to fund its operating costs including employee and tax obligations.
37. Aveos requests the authorization to maintain in place and to continue to operate, utilize, service and administer its Cash Management System in light of the cost, operational risk and difficulty in modifying it.

IV. 2010 FINANCIAL RESTRUCTURING AND CREDIT FACILITIES/SECURITY

(A) THE PRE-2010 RESTRUCTURING OBLIGATIONS

38. Aveos, as Borrower, entered into a First Lien Credit Agreement dated as of October 16, 2007 (the "**2007 First Lien Credit Agreement**") by and among, *inter alia*, Aveos, ATSS, the other guarantors party thereto, Lehman Commercial Paper Inc. ("**LCPI**"), as administrative agent and collateral agent, and the lenders from time to time party thereto (together with LCPI "**2007 First Lien Lenders**"). At the time of the 2010 Restructuring, Aveos' obligations under the 2007 First Lien Credit Agreement totaled approximately \$512.8 million (including amounts due pursuant to hedge arrangements).
39. In addition to the 2007 First Lien Credit Agreement, Aveos, as Borrower, entered into a Second Lien Credit Agreement also dated October 16, 2007 (the "**2007 Second Lien Credit Agreement**") by and among, *inter alia*, Aveos, ATSS, the other guarantors party thereto LCPI, as collateral agent and Woodbridge Investments Inc. ("**Woodbridge**"), as Lender (the "**2007 Second Lien Lender**"). At the time of the 2010 Restructuring, Aveos'

obligations under the 2007 Second Lien Credit Agreement totaled approximately \$262.1 million.

(B) 2010 RESTRUCTURING

40. On January 22, 2010, Aveos, ATSS, certain subsidiaries of ATSS, certain consenting 2007 First Lien Lenders, the 2007 Second Lien Lender, and certain other parties entered into a Restructuring and Lockup Agreement (the "**Restructuring and Lockup Agreement**") to reorganize and recapitalize Aveos and its affiliates (the "**2010 Restructuring**").
41. Under the 2010 Restructuring, in partial satisfaction of all obligations owing to the 2007 First Lien Lenders under the 2007 First Lien Credit Agreement and to Lehman Brothers Special Financing Inc. ("**LBSF**") under that certain secured hedge agreement dated February 8, 2008 between LBSF and Aveos (the "**2007 Hedge Agreement**"), the 2007 First Lien Lenders and LBSF agreed to receive: (a) interests in a new \$75 million term loan facility (the "**Take Back Second Lien Facility**"); and (b) all of the common equity of a newly created Holdings that would own 100% of the equity of Aveos' parent company ATSS, other than equity issued to management, Air Canada and the 2007 Second Lien Lender. The balance of the obligations owing under the 2007 First Lien Credit Agreement was forgiven by the 2007 First Lien Lenders and LBSF. In partial satisfaction of all obligations under the 2007 Second Lien Credit Agreement, the 2007 Second Lien Lenders received approximately 1.3% of the new common equity of Aveos Holding Company, subject to dilution. The remainder of the obligations under the 2007 Second Lien Credit Agreement was forgiven by the 2007 Second Lien Lender. In addition, as a condition precedent to the 2010 Restructuring, Aveos obtained a new asset based loan facility of \$75 million (the "**ABL First Lien Credit Facility**"), described below.

i. ABL First Lien Credit Facility

42. As a condition precedent to the 2010 Restructuring, Aveos entered into a Senior Secured Credit Agreement dated March 12, 2010 by and among, *inter alia*, Aveos, as Borrower, Holdings, ATSS, Aero US, 3218091 Nova Scotia Company and Aero Technical Hong Kong Limited, as guarantors (collectively, the "**Guarantors**"), LCPI, as administrative agent, collateral agent and collateral monitoring agent and certain lenders from time to time party thereto, (as amended or modified from time to time (the "**ABL Credit First Lien Agreement**")). The ABL Credit First Lien Facility includes a \$30 million term loan and a \$45 million revolving loan commitment with a letter of credit sub-facility to fund the continued business operations of Aveos and the other subsidiaries of Holdings. Pursuant to an amendment dated January 6, 2012, Credit Suisse AG, Cayman Islands Branch was appointed as the successor administrative agent, Wells Fargo Bank, National Association was appointed as the successor collateral agent and

Corevision Strategies, LLC was appointed as the successor collateral monitoring agent.

43. The obligations under the ABL First Lien Credit Agreement are secured by a first lien and hypothec on all of the assets of Aveos and a first lien on all the assets of each guarantor (including Aero US, ATSS and Holdings). The assets pledged include ATSS's 80% shareholding in Aveos Fleet Performance Bahamas Inc. (which is the general partner of Aero Technical Bahamas L.P. ("**Technical Holdings**")) and Technical Holdings (which owns 99.949% of Aeromanteniento S.A. ("**Aeroman**")). As of this Date, the aggregate principal amount outstanding under the ABL First Lien Credit Agreement is US\$75 million.

ii. Take Back Second Lien Facility

44. As described above, in partial satisfaction of the obligations owing under the 2007 First Lien Credit Agreement, Aveos entered into a Senior Secured Term Loan Agreement dated March 12, 2010 by and among, *inter alia*, Aveos, as Borrower, the Guarantors, including Aero US, LCPI, as administrative agent and collateral agent and certain lenders from time to time party thereto (as amended or modified from time to time the "**Take Back Second Lien Credit Agreement**") to provide Aveos with the Take Back Second Lien Facility. Pursuant to an amendment dated January 6, 2012, Credit Suisse, Cayman Islands Branch was appointed as the successor administrative agent and collateral agent under the Take Back Second Lien Credit Agreement.
45. The obligations under the Take Back Second Lien Credit Agreement are secured by a second lien and hypothec on all the assets of Aveos and a second lien on all of the assets of each guarantor (including Aero US, ATSS and Holdings). As of this date, the aggregate principal amount outstanding under the Take Back Second Lien Credit Agreement is US \$91,049,534.05 under tranche A-1, and US \$32,249,343.01 under tranche A-2 which was advanced in September, 2011, for a total principal amount owing of approximately US \$123,298,877.

iii. Intercompany Obligations

a. Assigned Loan

46. As part of the 2010 Restructuring, the 2007 First Lien Lenders and LBSF agreed to assign a certain principal portion of their outstanding loans under the 2007 First Lien Credit Agreement and payment obligations owing under the 2007 Hedge Agreement to Holdings, which currently represents intercompany debt payable by Aveos to Holdings in the amount of C\$217,051,317 (the "**Assigned Third Lien Loan**"). The obligations under the Assigned Loan are secured by a lien and hypothec on the assets of Aveos and a lien on certain of its affiliates which are guarantors of the

Assigned Third Lien Loan (including Aero US), but are lien subordinated and payment subordinated to the obligations under the ABL First Lien Credit Facility and Take Back second Lien Facility. As of the Petition Date, approximately C\$217,051,317 was outstanding under the Assigned third Lien Loan.

b. Subscription Note

47. Also in 2010, in connection with the restructuring, Aveos entered into the Amended and Restated Subscription Note, dated March 12, 2010. The Subscription note is unsecured and payable on December 31, 2022 in favour of Holdings. It is guaranteed by ATSS and does not bear interest before or after a default. As of this date, the amount outstanding under the Subscription Note was C\$49,483,000.

c. Settlement Note

48. On March 12, 2010, Aveos also issued a Settlement Promissory Note in the amount of C\$3,591,052 to Holdings (the "**Settlement Note**"). The Settlement Note is unsecured and payable on December 31, 2022. It is guaranteed by ATSS and does not bear interest before or after a default. As of the Petition Date, the amount outstanding under the Subscription Note was C\$3,591,052.

d. Intercompany Note

49. Aveos is also the borrower under a C\$10,128,234.28 intercompany Amended and Restated Demand Promissory Note, dated as of December 17, 2009 (the "**A&R Demand Note**") in favour of the U.S. Branch of ATSS. The A&R Demand Note is unsecured and payable on January 1, 2022. It does not bear interest before or after a default. As of the Petition Date, the amount outstanding under the A&R Demand Note was C\$10,128,234.28.

e. Vanilla Note

50. 3218091 Nova Scotia Company is a borrower under a C\$168,000,000 Subordinated Intercompany Term Promissory Note, as amended and restated on March 12, 2012 (the "**Vanilla Note**") in favour of the U.S. Branch of ATSS. The Vanilla Note is unsecured and payable on December 31, 2012. It does not bear interest before or after a default. As of the Petition Date, the amount outstanding under the Vanilla Note was C\$168,000,000.

iv. Air Canada Term Note

51. Also, in connection with the 2010 Restructuring, Air Canada and Aveos amended and restated the C\$22 million term loan note issued by Aveos in favour of Air Canada (the "**AC Note**"). The unsecured AC Note evidences certain deferred

payables of Aveos to Air Canada and are payable in installments of C\$3,666,666.66 on each anniversary of the closing date. The AC Note provides that in the event that, on any Payment Date, the cash reserve is less than a certain minimum cash reserve, the note due shall be deferred and paid on the following payment date, subject to certain requirements described therein. The obligations under the AC Note do not incur interest, either before or after a default. Air Canada waived any right to set-off any sums owed by Air Canada to Aveos or any of its affiliates against Aveos' obligations under the AC Note. A copy of the AC Note is attached as Exhibit P-7.

v. Financed Equipment and Inventory

52. Aveos has entered into a large number of other financing arrangements to finance the acquisition of inventory and the acquisition and/or lease of equipment used in the operation of its business. Aveos has granted hypothecs and liens over such financed and leased inventory and equipment.

V. OTHER STAKEHOLDERS

(A) EMPLOYEES

53. As of February 27, 2012, Aveos' operations employed approximately 2,620 persons in Canada on a permanent basis at eight locations: 1,785 in Montréal, 412 in Winnipeg, 356 in Vancouver, 33 in Edmonton, 16 in Trenton, 9 in Calgary, 7 in Toronto, and 2 in Ottawa.
54. Approximately 88% of Aveos' employees are unionized and represented by the International Association of Machinists and Aerospace Workers ("IAMAW") and governed under the Office and Clerical unit collective agreement, and the Technical Maintenance and Operational Support ("TMOS") unit collective agreement.
55. On January 8, 2009, Air Canada and Aveos entered into a Transition Agreement in which they agreed to transition certain Air Canada unionized employees to positions at Aveos. The transition process was jointly submitted to the Canada Industrial Relations Board ("CIRB"), which issued an Order dated January 22, 2009, in which it found that the Transition Agreement complied with the terms of the *Canada Labour Code* and directed Air Canada and Aveos to cooperate in implementing the terms of the Transition Agreement. Through a series of Orders dated January 31, 2011 the CIRB further declared that (i) there had been a sale of business within the meaning of the *Canada Labour Code* from Air Canada to Aveos, (ii) Aveos is a successor employer, (iii) the collective agreements between the IAMAW and Air Canada constitute distinct but identical collective agreements applicable to Aveos, and (iv) Air Canada and Aveos are to fully comply with the terms of the Transition Agreement.

56. Air Canada and the IAMAW entered into a Memorandum of Agreement dated June 8, 2009 whereby the collective agreements expiring on July 1, 2009 were extended for a period of 21 months from the date of expiry. As a result, the two collective agreements between Aveos and the IAMAW, covering the TMOS' Unit and the Office and Clerical Unit respectively, were extended to March 31, 2011. Since that date, the IAMAW and Aveos have engaged in collective bargaining negotiations which are still ongoing. No new collective agreement has been entered into to date.
57. The transition process described in the Transition Agreement was substantially completed, although a limited number of Air Canada employees are still seconded to Aveos. Although Aveos was required to offer approximately 2,900 positions to the union employees, only approximately 2,000 employees elected to join Aveos. Approximately 113 Air Canada employees are still seconded to Aveos in technical positions or locations where Aveos has not been able to find qualified replacements.
58. As described above, Aveos recently terminated the employment of all of its employees in its Air Frames Division, and notified all other of its employees to not report for work as of Monday, March 19, 2012.

(B) BENEFICIARIES UNDER PENSION AND BENEFIT ARRANGEMENTS

59. Aveos provides several pension and benefit plans to its employees including: (i) three registered pension plans; (ii) two unregistered supplemental employment retirement plans (SERPs); (iii) a group registered retirement savings plan (Group RRSP); (iv) retiree health and welfare benefits; and (v) long-term disability benefits.
60. Two of the registered pension plans are defined benefit plans: one provides benefits for non-unionized employees and the other for unionized employees. There are no regulatory complaints regarding these plans. An actuarial valuation report prepared as at December 31, 2010, discloses that the defined benefit pension plan for non-unionized employees had assets of approximately \$60 million and liabilities of approximately \$75 million, both determined on a solvency basis. The estimated solvency deficit for this plan was \$26 million as at December 31, 2011. Aveos' pension actuary has advised Aveos that Aveos is required by applicable laws to contribute \$128,975 per month to this plan as current service costs and \$254,950 per month to fund the deficit.
61. The defined benefit pension plan for unionized employees is a new plan that was established with an effective date of July 14, 2011. This is the date that the first unionized employees commenced their employment with Aveos. No actuarial valuation report has been prepared for this plan yet. Aveos' pension actuary has advised Aveos that Aveos should be making current service costs for this plan of approximately \$1.1 million per month.

62. Pursuant to the Pension and Benefits Agreement among KSAGE MRO Holdings Inc. (now Aveos), Air Canada and ACTS Limited Partnership dated June 22, 2007 (the "PBA"), Aveos is required to accept a transfer of pension benefits for its unionized employees earned with Air Canada under certain Air Canada pension plans. The transfer of these pension benefits has not occurred. In the ordinary course, it likely would not occur for several months. The amount of assets proposed to be transferred from the Air Canada pension plans to Aveos' defined benefit pension plan for unionized employees has been estimated by Aveos' pension actuary to be \$166.7 million as at July 14, 2011. Aveos' pension actuary has estimated that the solvency deficit associated with these Air Canada pension benefits is approximately \$49 million as at July 14, 2011. If benefits were transferred from the Air Canada pension plans to this plan, Aveos' pension actuary estimates that Aveos would be required to contribute special payments of approximately \$816,666 per month to fund the deficit.
63. For the defined contribution registered pension plan and the Group RRSP, contributions are current and there are no deficits associated with these two plans.
64. The two SERPs provide additional pension benefits to certain employees. One is a defined benefit SERP and the other a defined contribution SERP. Both SERPs are unregistered and unfunded. Under the SERPs, Aveos has promised to pay monthly pension benefits or lump sum amounts out of Aveos' general revenues to current employees when they retire. Aveos' pension actuary has estimated that the present value of the liability for the defined benefit SERP, estimated for accounting purposes, is \$9.5 million as at December 31, 2011. Aveos' pension actuary has estimated that the net periodic benefit cost for the defined benefit SERP, for accounting purposes, is \$0.86 million for 2012. Only one former employee of Aveos is receiving monthly benefits in respect of his SERP entitlement.
65. Aveos provides certain types of health and welfare benefits to its current employees. These benefits are insured. In addition, certain types of retiree health and welfare benefits are also promised to current Aveos employees in the future, when they retire. These benefits are provided under an insured agreement where monthly premiums are paid to the insurer and a surplus or deficit is calculated at the end of each year. Aveos is responsible for paying the deficit, or is entitled to any surplus, at the end of the insured agreement term. Aveos' benefits actuary has estimated that the present value of retiree health and welfare liabilities, for accounting purposes, is \$25.7 million as at December 31, 2011. Aveos' benefits actuary has estimated that the net periodic benefit cost for these benefits, for accounting purposes, is \$3.9 million for 2012.
66. Aveos also provides long-term disability ("LTD") benefits to certain individuals. Aveos is responsible for paying LTD benefits to certain former Air Canada employees, employees with a disability date prior to October 1,

2010 for non-unionized employees, and employees with a disability date prior to July 14, 2011 for unionized employees. The remainder of the LTD benefits are fully insured. Aveos' benefits actuary has estimated that the present value of liabilities for these benefits, for accounting purposes, is \$6.5 million as at December 31, 2011. Aveos' benefits actuary has estimated that the net periodic benefit cost for these benefits, for accounting purposes, is \$384,000 for 2012.

(C) AIR CANADA, UNDER SERVICES AGREEMENTS

67. As discussed above, prior to September 30, 2004, the maintenance, repair and overhaul business of Air Canada was operated as a division of Air Canada. Air Canada continues to be Aveos' largest customer and to represent the largest portion of its profitability.
68. Effective as of October 1, 2006, ACTS Limited Partnership and Air Canada entered into a General Terms Agreement for Technical Services (the "**Air Canada GTA**"). The Air Canada GTA sets out the general terms and conditions that apply to the provision of services by Aveos to Air Canada in respect of Air Canada's aircraft and related equipment, pursuant to the execution of individual services agreements (the "**Services Agreements**"). Pursuant to the reorganization noted above, the benefits and obligations of ACTS Limited Partnership under the Air Canada GTA (and each of the Services Agreements) are now vested in Aveos. The Air Canada GTA remains in effect until the later of (i) seven years after October 1, 2006, and (ii) the end of the term of the last Services Agreement incorporating the terms of the Air Canada GTA. Pursuant to the Air Canada GTA, Aveos is Air Canada's non-exclusive supplier of services, unless stipulated otherwise in a Services Agreement. The significant Services Agreements corresponding to Aveos' business segments are described below.
69. Effective as of October 1, 2006, ACTS Limited Partnership and Air Canada entered into a Services Agreement for Airframe Heavy Maintenance Services, as amended (the "**HM Services Agreement**") whereby Aveos provides airframe heavy maintenance and related services to Air Canada. The HM Services Agreement was initially for a three-year term and was subsequently extended until September 30, 2011, and then without a fixed termination date. Either party has the right to terminate the HM Services Agreement without cause, in whole or in part, provided that such termination may only be effective on or after June 30, 2013 after giving at least six months notice to the other party. Aveos is the exclusive provider to Air Canada of all services provided under the HM Services Agreement.
70. Effective as of October 1, 2006, ACTS Limited Partnership and Air Canada also entered into a Services Agreement for Engine Maintenance Services (as amended, the "**EM Services Agreement**") whereby Aveos provides engine maintenance and related services to Air Canada. The EM Services Agreement expires on December 31, 2018 and continues beyond such

date, until either party provides to the other at least six months written notice of termination, which notice may not be given more than six months prior to December 31, 2018. Aveos is the exclusive provider to Air Canada of all services provided under the EM Services Agreement.

71. In addition, effective as of October 1, 2006, ACTS Limited Partnership and Air Canada entered into a Services Agreement for Component Maintenance (as amended, the "**CM Services Agreement**") whereby Aveos provides component maintenance and related services to Air Canada. This agreement continues for a minimum period of seven years after October 1, 2006 and continues beyond that date until either party provides to the other at least six months written notice of termination, which notice may not be given more than six months prior to September 30, 2013. Certain services provided under this agreement are provided on an exclusive basis and certain services are provided on a non-exclusive basis.
72. ACTS Limited Partnership and Air Canada also entered into a Services Agreement for Supply Chain Management Services whereby Aveos provides supply chain and material asset management services to Air Canada. This agreement was terminated effective June 9, 2009, and certain of the supply-chain obligations thereunder were incorporated, by amendment, into the HM Services Agreement and the CM Services Agreement.
73. Other Services Agreements also entered into with Air Canada on October 1, 2006, include agreements relating to APU (auxiliary power unit) Maintenance Services, Aircraft Paint Services, Training Services, Outsourcing Services, Ancillary Services and non-Destructive Testing Services.
74. Effective January 1, 2007, ACTS Limited Partnership and Air Canada entered into an Amended and Restated Master Services Agreement (the benefits and obligations of ACTS Limited Partnership under which are now vested in Aveos) whereby Air Canada provides certain services to Aveos, each pursuant to a separate Services Annex. The services provided include accounting, communications, finance, secretarial, environmental, government relations, information technology, occupational health, pension and benefits administration, personnel and labour relations. Pursuant to the Master Services Agreement, Aveos retains and exercises managerial control and decision making authority for its business, provided however Air Canada has the authority as service provider to make routine administrative decisions to the extent provided in the agreement. This agreement terminates on the same date as the termination of the Air Canada GTA and on the expiry of the longest services period under the various Services Annexes. This agreement, or any particular Services Annex, may also be terminated (A) by Aveos on not less than six months prior written notice to Air Canada or (B) by Air Canada on not less than 18 months prior written notice to Aveos.

75. Aveos has terminated certain of the Services Annexes that are included in the Amended and Restated Master Services Agreement.

(D) TRADE CREDITORS

76. As of March 9, 2012, Aveos had approximately \$60 million in accounts payable, the majority of which were over thirty days past due.

VI. AIR CANADA CONTRACT DISPUTES

77. Although Aveos has historically had a close relationship with Air Canada, over the course of the last 12 months, Aveos' view is that Air Canada has taken a number of actions that have damaged Aveos, its business and its financial position and prospects.
78. For example, under the EM Services Agreement and the HM Services Agreement, Aveos is the exclusive provider of services for certain of Air Canada's airplanes. Despite this exclusivity provision, Aveos understands that Air Canada has solicited bids from Aveos' competitors and delayed scheduled maintenance at Aveos' facilities. Even after repeated demands that Air Canada induct the engines or aircraft that sit either in Aveos' facilities or in Air Canada facilities nearby, it is Aveos' view that Air Canada continues to delay maintenance which has been contracted for between the parties. This has left Aveos having to repeatedly seek to lay off employees, which attempts have been rejected by the labour tribunal.
79. Over the past several months, Air Canada has essentially ordered Aveos to halt all significant maintenance work on Air Canada's aircraft, engines, and parts, even though some of that maintenance work was planned and scheduled more than a year ago. At the same time, Aveos understands that Air Canada has been actively seeking alternate service proposals for Air Canada's heavy maintenance work from other service providers.
80. Moreover, although Air Canada continually seeks third-party MRO providers in violation of the Services Agreements and has repeatedly reduced the amount of work directed to Aveos. Pursuant to the transition agreements discussed above, until July 14, 2011, a portion of Air Canada's employees were seconded to Aveos. When Aveos advised Air Canada that leading into the summer of 2011 reduction in airframe service requirements meant that no work was available for a number of seconded employees and that Air Canada would be responsible for any excess labour costs, Air Canada asked that Aveos not immediately send employees back for layoff. Presumably because it was during the time that integration was occurring and could create more union hostility. Although Aveos has invoiced Air Canada and repeatedly demanded payment, Air Canada refuses to compensate Aveos for the unproductive time.

81. On a more general level, Air Canada has simply failed to pay its contractual monetary obligations owing to Aveos as and when such amounts have become due. For example, Air Canada has (i) failed to make payments due under the HM Services Agreement; and (ii) provided what Aveos believes to be inaccurate calculations of unionized and non-unionized post-employment liabilities in breach of the PBA.
82. Aveos has met with Air Canada on numerous occasions to discuss Air Canada's non-payment and actions by Air Canada, which Aveos considers to be in breach of their contractual arrangements, but, to date, Air Canada has refused to abide by the terms of its agreements with Aveos or to compensate Aveos for resulting damages. Two days ago, Air Canada provided a term sheet to Aveos in respect of debtor-in-possession financing in a CCAA proceeding. However, the terms proposed by Air Canada were so onerous and uneconomic that the Petitioners and the Third Party Secured Lenders are not prepared to agree to Air Canada's proposed terms. In any event, such a debtor-in-possession financing would be unnecessary if Air Canada paid to Aveos what it owes. In large part as a result of Air Canada's actions, and without an infusion of liquidity from Air Canada for amounts owing by it to Aveos and a commitment from Air Canada to honour its agreements with Aveos, Aveos will not be able to resume its operations.

VII. PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT

83. Because of Aveos' financial difficulties, the Petitioners believe that it is necessary to file for CCAA protection. The Petitioners have begun work with the proposed monitor which expects to provide the Court with a preliminary report.
84. The Petitioners cannot resume their operations without additional liquidity, including payment by Air Canada to Aveos of amounts due and owing. The Petitioners require a short stay of proceedings to work with their advisors and assess all options for the benefit of all stakeholders..

VIII. PROJECTED CASH FLOW

85. A copy of the projected cash flow for the Petitioners for the period starting March 18, 2012 will be filed in Court as Exhibit P-8.

IX. NEED FOR CCAA PROTECTION

86. The constraints under which Aveos operates, its operating losses and uncertain financial prospects, combined with the continuing economic turmoil in the airline industry and the high debt burden on the company, have resulted in the need for the Petitioners to seek protection under the CCAA.

87. The Petitioners currently do not have the liquidity to continue operations. If Aveos can secure sufficient liquidity, Aveos will be able to resume aspects of its operations and to consider all options for the benefit of all stakeholders.

X. INITIAL CCAA ORDER SOUGHT

88. Because of the Petitioners' financial difficulties, a stay of proceedings is essential to (a) provide the Petitioners with a reasonable period of time in which to address liquidity issues, collect payments of amounts owing to them and seek alternate sources of financing; (b) ensure that all stakeholders are treated fairly and equitably; and (c) ensure that the value of the Petitioners' assets are maximized through a restructuring plan or controlled liquidation. The Petitioners currently do not have the liquidity to continue operations. As a result, prior to filing for protection under the CCAA, Aveos ceased the operation of its Airframe maintenance facilities on March 18, 2012, thereby significantly reducing its workforce. If Aveos can secure an influx of liquidity, Aveos will be able to continue to service customers and the Petitioners will potentially develop a restructuring plan.

XI. BOARD OF DIRECTORS AND EMPLOYEE PROTECTION

89. The success of the Petitioners depends on the abilities, experience, industry knowledge and personal efforts of its board of directors, senior management and employees. The MRO industry is highly specialized and the abilities of the Petitioners' specialized personnel in the aviation field are difficult, if not impossible, to replace. The loss of services of key personnel could have a material adverse affect on the financial condition, results from operations, cash flows and/or business of the Petitioners during this proceeding.
90. A maximization of value for the Petitioners' stakeholders will only be possible with the continued participation of the Petitioners' board of directors.
91. Even though the Petitioners intend to comply with all applicable laws and regulations, the Petitioners' directors and officers may nevertheless be concerned about the potential for personal liability in the context of the proposed restructuring. Although the Petitioners have directors' and officers' liability insurance, the policies contain exclusions and limitations. The current directors' and officers' liability insurance policy is set to expire on May 1, 2012 and there is no assurance that it will be renewed or extended by the insurers.
92. A charge (the "Directors' Charge") over the assets of the Petitioners in favour of its directors and officers is required in order to provide a level of protection to the directors and officers of the Petitioners with respect to liabilities imposed on individuals in their capacities as directors or officers

of a corporation. The directors and officers of the Petitioners require the protection afforded by the Directors' Charge due to the uncertainty created by the filing of these proceedings.

93. Accordingly, the Petitioners request that the Initial Order to be granted pursuant hereto include the protections sought in the conclusions of the present Petition, namely, the orders related to the indemnification and charge in favour of its directors and officers.
94. The Petitioners seek a \$5 million Directors' Charge, the whole as set forth more fully at the conclusions of this Petition. The amount of the Directors' Charge was established by the Petitioners and reviewed by the Monitor, taking into account hourly and salaried payroll, statutory termination and severance pay, commissions, vacation pay sales taxes and pension contributions.

XII. APPOINTMENT OF MONITOR

95. The Petitioners requests that this Honourable Court appoint FTI Consulting Canada Inc. as Monitor, in accordance with the provisions of the CCAA and the Initial Order to be issued by the Court.
96. The Monitor is the holder of a license to act as trustee in Canada within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* ("BIA"), and thus is qualified to act as monitor in the proceedings herein, and has agreed to act in that capacity, on terms consistent with the orders sought herein.
97. In addition to any powers or obligations provided for by the CCAA, the Petitioners hereby request that this Honourable Court grant the Monitor the powers, rights and obligations detailed in the proposed form of Initial Order.

XIII. ADMINISTRATION CHARGE

98. In order to successfully restructure, the Petitioners require the assistance of various financial and legal advisors.
99. In this respect, the Petitioners seek a \$3 million charge as security for professional fees, charges and disbursements (the "**Administration Charge**"), which shall affect the assets of the Petitioners, the whole as set forth in the conclusions of this Petition.

XIV. EXECUTION NOTWITHSTANDING APPEAL

100. In view of the urgency and severity of the circumstances confronting the Petitioners, it is essential that execution of the order requested be granted notwithstanding appeal.

XV. CONCLUSIONS

101. The Petitioners believe that if they are provided with a reasonable period of protection, they can work with their principal stakeholders to determine if it can resume aspects of their operations or, in the alternative, to assess other options to maximize value for their stakeholders. The Petitioners require the interim relief requested in this Petition in order to pursue a value maximization strategy.
102. The Board of Directors of the Petitioners have authorized the filing of the present Petition.
103. Given that, as described in this Petition, the circumstances are such that an order should be rendered, and given that the Petitioners have acted and are acting in good faith and with due diligence, the Petitioners respectfully submits that the Petition should be granted.
104. The making of an order pursuant to Section 11 of the CCAA is necessary and it is in the best interests of all stakeholders of the Petitioners that this Court order a stay of all the proceedings, for an initial period of 15 days from the rendering of such order, subject to possible further extensions for such other periods as the Court may consider appropriate, the whole as more fully detailed in the conclusions of the Petition.
105. At the present time, no procedure has been instituted against the Petitioners pursuant to the BIA or the *Winding Up and Restructuring Act*, and the Petitioners have not made any voluntary assignment of its assets for the general benefit of their creditors.
106. Therefore, as detailed in the conclusions of this Petition, the Petitioners request this Court to, *inter alia*:
 - a) declare that the CCAA is applicable to the Petitioners and that the Petitioners each qualify as a “debtor company” within the meaning of Sections 2 and 3 of the CCAA;
 - b) appoint the Monitor and determine its powers and obligations;
 - c) render an order staying all proceedings and limiting certain rights and permitting certain restructuring activities of the Petitioners; and
 - d) order that the order requested herein be declared executory notwithstanding appeal.

FOR THESE REASONS, MAY IT PLEASE THE COURT THAT THIS COURT:

[3] **GRANTS** the Petition.

- [4] **DECLARES** that all capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Petition;
- [5] **ISSUES** an order pursuant to the CCAA (the “**Order**”), divided under the following headings:
- A) Service
 - B) Application of the CCAA
 - C) Effective Time
 - D) Plan of Arrangement
 - E) Stay of Proceedings against the Petitioners and the Property
 - F) Stay of Proceedings against the Directors and Officers
 - G) Possession of Property and Operations
 - H) No Exercise of Rights or Remedies;
 - I) No Interference with Rights
 - J) Continuation of Services
 - K) Non-Derogation of Rights
 - L) Directors’ and Officers’ Indemnification and Charge
 - M) Restructuring
 - N) Powers of the Monitor
 - O) Priorities and General Provisions Relating to CCAA Charges
 - P) General

A) Service

- [6] **DECLARES** that the time for service of the petition is hereby abridged and hereby dispenses Petitioners with further service thereof;
- [7] **DECLARES** that sufficient prior notice of the presentation of this Petition has been given by the Petitioners to interested parties, including the secured creditors who are likely to be affected by the charges created herein.

B) Application of the CCAA

- [8] **DECLARES** that the Petitioners are each a debtor company to which the CCAA applies.

C) Effective time

- [9] **DECLARES** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard / Daylight Time on the date of this Order (the "Effective Time").

D) Plan of Arrangement

- [10] **DECLARES** that the Petitioners shall have the authority to file with this Court and to submit to their creditors one or more plans of compromise or arrangement (collectively, the "Plan") in accordance with the CCAA.

E) Stay of Proceedings against the Petitioners and the Property

- [11] **ORDERS** that, until and including April 3, 2012, or such later date as the Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Petitioners, or affecting the Petitioners' business operations and activities (the "Business") or the Property (as defined herein below), including as provided in paragraph [22] herein below except with leave of this Court. Any and all Proceedings currently under way against or in respect of the Petitioners or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court, the whole subject to subsection 11.1 of the CCAA.

F) Stay of Proceedings against the Directors and Officers

- [12] **ORDERS** that during the Stay Period and except as permitted under subsection 11.03(2) of the CCAA, no Proceeding may be commenced, or continued against any former, present or future director or officer of the Petitioners nor against any person deemed to be a director or an officer of the Petitioners under subsection 11.03(3) of the CCAA (each, a "Director", and collectively the "Directors") in respect of any claim against such Director which arose prior to the Effective Time and which relates to any obligation of the Petitioners where it is alleged that any of the Directors is under any law liable in such capacity for the payment of such obligation.

G) Possession of Property and Operations

- [13] **ORDERS** that the Petitioners shall remain in possession and control of their present and future assets, rights, undertakings and properties of every nature and kind whatsoever, and wherever situated, including all proceeds thereof (collectively the "Property"), the whole in accordance with the terms and conditions of this order

including, but not limited, to paragraph [32] hereof. The Petitioners shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel (**including any foreign counsel of the Petitioners**) and such other persons (collectively the "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

- [14] **ORDERS** that the Petitioners shall be entitled to continue to maintain in place, and to continue to operate, utilise, service and administer the central cash management system currently in place (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Petitioners of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Petitioners, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System (excluding Air Canada), an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.
- [15] **ORDERS** that Air Canada is prohibited from setting off any claims against the Petitioners' funds, including without limitation, funds that are processed by Air Canada pursuant to the Master Services Agreement as defined in the Petition.
- [16] **ORDERS** that the Petitioners shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order, provided such payments are in accordance with the cash flow filed with the Court from time to time and approved by the Third Party Secured Lenders (the "**Cash Flow**") or otherwise approved by the Third Party Secured Lenders:
- a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable before or after the date of this Order, in each case incurred in the ordinary course of business, including statutory termination and severance pay, and consistent with compensation policies and arrangements existing at the time incurred; and
 - b) the fees and disbursements of any Assistants retained or employed by the Petitioners which are related to the Petitioners' restructuring or insolvency, at their standard rates and charges whenever and wherever incurred, including without limitation (i) these proceedings or any similar proceedings in other jurisdictions in which the Petitioners or affiliated companies of the Petitioners are domiciled; (ii) any litigation in which the Petitioners are named as a party or as otherwise involved, whether

convened before or after the date of this Order; and (iii) any related matters.

[17] **ORDERS** that except as otherwise provided to the contrary herein, and provided such payments are in accordance with the Cash Flow, the Petitioners shall be entitled but not required to pay all reasonable expenses incurred by the Petitioners in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- a) all expenses reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- b) payment for goods or services actually supplied to the Petitioners following the date of this Order.

[18] **ORDERS** that the Petitioners shall remit, in accordance with legal requirements, or pay:

- a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Petitioners in connection with the sale of goods and services by the Petitioners, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Petitioners.

[19] **ORDERS** that the Petitioners' obligation, as applicable, to make contributions or payments (other than normal cost contributions, contributions to a defined contribution provision, amounts deducted by the Petitioners from members' remuneration, if any) (the "Pension Contributions") to the following pension plans (together, the "Pension Plans") are hereby suspended pending further order of this Court:

- a) Aveos Defined Contribution Pension Plan (OSFI registration no. 57460)
 - b) Retirement Plan for Employees of Aveos (OSFI registration no. 57573)
 - c) Retirement Plan for Unionized Employees of Aveos (not registered by OSFI)
- [20] **ORDERS** that directors, officers and agents of the Petitioners shall not incur any liability as a result of the failure of the Petitioners to make the Pension Contributions.
- [21] **ORDERS** that except as specifically permitted by this Order and except with the consent of the Third Party Secured Lenders, the Petitioners are hereby directed, until further Order of this Court:
- a) To make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioners to any of the creditors as of the date of this Order;
 - b) To make no payments in respect of any financing leases;
 - c) To grant no security interests, hypothecs, trusts, mortgages, liens, charges or encumbrances upon or in respect of any of the Property, nor borrow under or increase the principal amount secured by any existing security interest, hypothec, trust, mortgages, lines, charges or encumbrances upon or in respect of any of the Property nor become a guarantor or surety, no otherwise become liable in many manner with respect to any other person or entity;
 - d) To not grant credit except in the ordinary course of the business only to the customers for goods and services actually supplied to those customers, provided such customers agree that there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Petitioners to such customers as of the date of this Order;
 - e) To not incur liabilities except in the ordinary course of Business; and
 - f) Except for as provided for in paragraph 32(c), convey, transfer, assign or dispose of any property of the Petitioners.

H) No Exercise of Rights or Remedies

- [22] **ORDERS** that during the Stay Period, and subject to, *inter alia*, subsection 11.1 CCAA, all rights and remedies of any individual, natural person, firm, corporation, partnership, limited liability company, trust, joint venture, association, organization, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Petitioners, or affecting the Business, the Property or any part thereof, are hereby stayed and suspended except with leave of this Court.

- [23] **DECLARES** that, to the extent any rights, obligations, or prescription, time or limitation periods, including, without limitation, to file grievances, relating to the Petitioners or any of the Property or the Business may expire (other than pursuant to the terms of any contracts, agreements or arrangements of any nature whatsoever), the term of such rights, obligations, or prescription, time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period. Without limitation to the foregoing, in the event that the Petitioners become bankrupt or a receiver as defined in subsection 243(2) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) is appointed in respect of the Petitioners, the period between the date of the Order and the day on which the Stay Period ends shall not be calculated in respect of the Petitioners in determining the 30 day periods referred to in Sections 81.1 and 81.2 of the BIA.

I) No Interference with Rights

- [24] **ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioners, except with the written consent of the Petitioners and the Monitor, or with leave of this Court.

J) Continuation of Services

- [25] **ORDERS** that during the Stay Period and subject to paragraph [27] hereof and subsection 11.01 CCAA, all Persons having verbal or written agreements with the Petitioners or statutory or regulatory mandates for the supply of goods or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, utility or other goods or services made available to the Petitioners, are hereby restrained until further order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Petitioners, and that the Petitioners shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses, domain names or other services, provided in each case that the normal prices or charges for all such goods or services received after the date of the Order are paid by the Petitioners, without having to provide any security deposit or any other security, in accordance with normal payment practices of the Petitioners or such other practices as may be agreed upon by the supplier or service provider and the Petitioners, with the consent of the Monitor, or as may be ordered by this Court.
- [26] **ORDERS** that, notwithstanding anything else contained herein and subject to subsection 11.01 of the CCAA, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided to the Petitioners on or after the date of this

Order, nor shall any Person be under any obligation on or after the date of the Order to make further advance of money or otherwise extend any credit to the Petitioners.

- [27] **ORDERS** that, without limiting the generality of the foregoing and subject to Section 21 of the CCAA, if applicable, cash or cash equivalents placed on deposit by the Petitioners with any Person during the Stay Period, whether in an operating account or otherwise for itself or for another entity, shall not be applied by such Person in reduction or repayment of amounts owing to such Person as of the date of the Order or due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof; however, this provision shall not prevent any financial institution from: (i) reimbursing itself for the amount of any cheques drawn by Petitioners and properly honoured by such institution, or (ii) holding the amount of any cheques or other instruments deposited into the Petitioners' account until those cheques or other instruments have been honoured by the financial institution on which they have been drawn.

K) Non-Derogation of Rights

- [28] **ORDERS** that, notwithstanding the foregoing, any Person who provided any kind of letter of credit, guarantee or bond (the "**Issuing Party**") at the request of the Petitioners shall be required to continue honouring any and all such letters, guarantees and bonds, issued on or before the date of the Order, provided that all conditions under such letters, guarantees and bonds are met save and except for defaults resulting from this Order; however, the Issuing Party shall be entitled, where applicable, to retain the bills of lading or shipping or other documents relating thereto until paid.

L) Directors' and Officers' Indemnification and Charge

- [29] **ORDERS** that the Petitioners shall indemnify their Directors from all claims relating to any obligations or liabilities they may incur and which have accrued by reason of or in relation to their respective capacities as directors or officers of the Petitioners after the Effective Time, except where such obligations or liabilities were incurred as a result of such directors' or officers' gross negligence, willful misconduct or gross or intentional fault as further detailed in Section 11.51 of the CCAA.
- [30] **ORDERS** that the Directors of the Petitioners shall be entitled to the benefit of and are hereby granted a charge and security in the Property to the extent of the aggregate amount of Five Million Dollars (\$5,000,000) (the "**Directors' Charge**"), as security for the indemnity provided in paragraph [29] of this Order as it relates to obligations and liabilities that the Directors may incur in such capacity after the Effective Time. The Directors' Charge shall have the priority set out in paragraphs [44] and [45] of this Order.
- [31] **ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the

benefit of the Directors' Charge, and (b) the Directors shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the Directors are entitled to be indemnified in accordance with paragraph [29] of this Order.

M) Restructuring

[32] DECLARES that, to facilitate the orderly wind down or restructuring of their business and financial affairs (the "**Restructuring**") but subject to such requirements as are imposed by the CCAA, the Petitioners shall have the right to:

- a) permanently or temporarily cease, downsize or shut down any of the operations or locations as it deems appropriate and make provision for the consequences thereof in the Plan or otherwise;
- b) pursue all avenues to finance or refinance, market, convey, transfer, assign or in any other manner dispose of the Business or Property, in whole or part, subject to further order of the Court and sections 11.3 and 36 of the CCAA, and under reserve of subparagraph c);
- c) convey, transfer, assign, lease, or in any other manner dispose of the Property, outside of the ordinary course of business, in whole or in part, provided that the price in each case does not exceed \$500,000 or \$2,000,000 in the aggregate;
- d) terminate the employment of such of the employees or temporarily or permanently lay off such of the employees as it deems appropriate and, to the extent any amounts in lieu of notice, termination or severance pay or other amounts in respect thereof are not paid in the ordinary course, make provision, on such terms as may be agreed upon between the Petitioners and such employee, or failing such agreement, make provision to deal with, any consequences thereof in the Plan or otherwise, as the Petitioners may determine;
- e) subject to the provisions of section 32 of the CCAA, disclaim or resiliate, any of the agreements, contracts or arrangements of any nature whatsoever, with such disclaimers or resiliation to be on such terms as may be agreed between the Petitioners and the relevant party, or failing such agreement, to make provision for the consequences thereof in the Plan; and
- f) subject to section 11.3 of the CCAA, assign any rights and obligations of Petitioners.

[33] **DECLARES** that, if a notice of disclaimer or resiliation is given to a landlord of the Petitioners pursuant to section 32 of the CCAA and subparagraph [32]e) of this Order, then (a) during the notice period prior to the effective time of the

disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours by giving the Petitioners and the Monitor 24 hours prior written notice and (b) at the effective time of the disclaimer or resiliation, the landlord shall be entitled to take possession of any such leased premises and re-lease any such leased premises to third parties on such terms as any such landlord may determine without waiver of, or prejudice to, any claims or rights of the landlord against the Petitioners, provided nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

- [34] **ORDERS** that the Petitioners shall provide to any relevant landlord notice of the Petitioners' intention to remove any fittings, fixtures, installations or leasehold improvements at least seven (7) days in advance. If the Petitioners have already vacated the leased premises, it shall not be considered to be in occupation of such location pending the resolution of any dispute between the Petitioners and the landlord.
- [35] **DECLARES** that, in order to facilitate the Restructuring, the Petitioners may, subject to the approval of the Monitor, or further order of the Court, settle claims of customers and suppliers that are in dispute.
- [36] **DECLARES** that, pursuant to sub-paragraph 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c.5, the Petitioners are permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in its possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to the advisers (individually, a "**Third Party**"), but only to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction for that purpose, provided that the Persons to whom such personal information is disclosed enter into confidentiality agreements with the Petitioners binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to the Petitioners or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring or the preparation or implementation of the Plan or a transaction in furtherance thereof, such Third Party may continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners.

N) Powers of the Monitor

- [37] **ORDERS** that FTI Consulting Canada Inc. is hereby appointed to monitor the business and financial affairs of the Petitioners as an officer of this Court (the "**Monitor**") and that the Monitor, in addition to the prescribed powers and obligations, referred to in Section 23 of the CCAA:

- a) shall, without delay, (i) publish once a week for two (2) consecutive weeks or as otherwise directed by the Court, in *The Globe & Mail* National Edition; and (ii) within five (5) business days after the date of this Order (A) post on the Monitor's website (the "**Website**") a notice containing the information prescribed under the CCAA, (B) make this Order publicly available in the manner prescribed under the CCAA, (C) send, in the prescribed manner, a notice to all known creditors having a claim against the Petitioners of more than \$1,000, advising them that the Order is publicly available, and (D) prepare a list showing the names and addresses of such creditors and the estimated amounts of their respective claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made there under;
- b) shall monitor the Petitioners' receipts and disbursements;
- c) shall assist the Petitioners, to the extent required by the Petitioners, in dealing with their creditors and other interested Persons during the Stay Period;
- d) shall assist the Petitioners, to the extent required by the Petitioners, with the preparation of their cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;
- e) shall advise and assist the Petitioners, to the extent required by the Petitioners, to review the Petitioners' business and assess opportunities for cost reduction, revenue enhancement and operating efficiencies;
- f) shall assist the Petitioners, to the extent required by the Petitioners, with the Restructuring and in their negotiations with their creditors and other interested Persons and with the holding and administering of any meetings held to consider the Plan;
- g) shall report to the Court on the state of the business and financial affairs of the Petitioners or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order;
- h) shall report to this Court and interested parties, including but not limited to creditors affected by the Plan, with respect to the Monitor's assessment of, and recommendations with respect to, the Plan;
- i) may retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of the Order, including, without limitation, one or more entities related to or affiliated with the Monitor;
- j) may engage legal counsel to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its

obligations in these proceedings and any related proceeding, under the Order or under the CCAA;

- k) with the written consent of the Petitioners, may act as a “foreign representative” of the Petitioners or in any other similar capacity in any insolvency, bankruptcy or reorganisation proceedings outside of Canada;
- l) may give any consent or approval as may be contemplated by the Order or the CCAA; and
- m) may perform such other duties as are required by the Order or the CCAA or by this Court from time to time.

Unless expressly authorized to do so by this Court, the Monitor shall not otherwise interfere with the business and financial affairs carried on by the Petitioners, and the Monitor is not empowered to take possession of the Property nor to manage any of the business and financial affairs of the Petitioners and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

- [38] **ORDERS** that the Petitioners and their Directors, officers, employees and agents, accountants, auditors and all other Persons having notice of the Order shall forthwith provide the Monitor with unrestricted access to all of the Business and Property, including, without limitation, the premises, books, records, data, including data in electronic form, and all other documents of the Petitioners in connection with the Monitor’s duties and responsibilities hereunder.
- [39] **DECLARES** that the Monitor may provide creditors and other relevant stakeholders of the Petitioners with information in response to reasonable requests made by them in writing addressed to the Monitor and copied to the Petitioners’ counsel. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioners is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Petitioners unless otherwise directed by this Court.
- [40] **DECLARES** that if the Monitor, in its capacity as Monitor, carries on the business of the Petitioners or continues the employment of the Petitioners’ employees, the Monitor shall benefit from the provisions of section 11.8 of the CCAA.
- [41] **DECLARES** that no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out the provisions of any order of this Court, except with prior leave of this Court, on at least seven days notice to the Monitor and its counsel. The entities related to or affiliated with the Monitor referred to in subparagraph [37]i) hereof shall also be entitled to the protection, benefits and privileges afforded to the Monitor pursuant to this paragraph.

- [42] **ORDERS** that Petitioners shall pay the reasonable fees and disbursements of the Monitor, the Monitor's legal counsel, the Petitioners' Canadian and U.S. counsel other advisors on a periodic basis. . The Monitor, the Monitor's legal counsel, the Petitioners' Canadian and U.S. counsel and shall render their invoices to the Petitioners' for payment on a weekly basis
- [43] **DECLARES** that the Monitor, the Monitor's legal counsel, the Petitioners' legal counsel, the Petitioners' advisers, counsel to the Third Party Secured Lenders and the Third Party Secured Lenders' advisers as security for the professional fees and disbursements incurred both before and after the making of the Order and directly related to the Petitioners' insolvency, the Plan and the Restructuring, be entitled to the benefit of and are hereby granted a charge and security in the Property to the extent of the aggregate amount of Three Million Dollars (\$3,000,000) (the "**Administration Charge**"), having the priority established by paragraphs [44] and [45] hereof.

O) Priorities and General Provisions Relating to CCAA Charges

- [44] **DECLARES** that the priorities of the Administration Charge and Directors' Charge (collectively, the "**CCAA Charges**"), as between them with respect to any Property to which they apply, shall be as follows:
- a) first, the Administration Charge;
 - b) second, the Directors' Charge;
- [45] **DECLARES** that each of the CCAA Charges shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature or kind including without limitation any deemed trust created under the *Pension Benefits Standards Act, 1985* (collectively, the "**Encumbrances**") affecting the Property charged by such Encumbrances in favour of those parties who have been notified of the Petition.
- [46] **ORDERS** that, except as otherwise expressly provided for herein, the Petitioners shall not grant any Encumbrances in or against any Property that rank in priority to, or *pari passu* with, any of the CCAA Charges unless the Petitioners obtain the prior written consent of the Monitor and the Third Party Secured Lenders and the prior approval of the Court.
- [47] **DECLARES** that each of the CCAA Charges shall attach, as of the Effective Time, to all present and future Property of the Petitioners, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.
- [48] **DECLARES** that the CCAA Charges and the rights and remedies of the beneficiaries of such Charges, as applicable, shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) these proceedings and the declaration of insolvency made herein; (ii) any petition for a receiving order filed

pursuant to the BIA in respect of the Petitioners or any receiving order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners; or (iii) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement, lease, sub-lease, offer to lease or other arrangement which binds the Petitioners (a “**Third Party Agreement**”), and notwithstanding any provision to the contrary in any Third Party Agreement:

- a) the creation of any of the CCAA Charges shall not create or be deemed to constitute a breach by the Petitioners of any Third Party Agreement to which it is a party; and
- b) any of the beneficiaries of the CCAA Charges shall not have liability to any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.

[49] **DECLARES** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein, (ii) any petition for a receiving order filed pursuant to the BIA in respect of the Petitioners and any receiving order allowing such petition or any assignment in bankruptcy made or deemed to be made in respect of the Petitioners, and (iii) the provisions of any federal or provincial statute, the payments or disposition of Property made by the Petitioners pursuant to the Order and the granting of the CCAA Charges, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

[50] **DECLARES** that the CCAA Charges shall be valid and enforceable as against all Property of the Petitioners and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioners, for all purposes.

P) General

[51] **ORDERS** that no Person shall commence, proceed with or enforce any Proceedings against any of the Directors, employees, legal counsel or financial advisers of the Petitioners or of the Monitor or its legal counsel in relation to the Business or Property of the Petitioners, without first obtaining leave of this Court, upon five (5) days written notice to the Petitioners’ counsel and to all those referred to in this paragraph whom it is proposed be named in such Proceedings.

[52] **DECLARES** that the Order and any proceeding or affidavit leading to the Order, shall not, in and of themselves, constitute a default or failure to comply by the Petitioners under any statute, regulation, licence, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.

- [53] **DECLARES** that, except as otherwise specified herein, the Petitioners and the Monitor are at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of the Petitioners and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.
- [54] **DECLARES** that the Petitioners and any party to these proceedings may serve any court materials in these proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Petitioners shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.
- [55] **DECLARES** that, unless otherwise provided herein, under the CCAA, or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served a Notice of Appearance on the solicitors for the Petitioners and the Monitor and has filed such notice with this Court, or appears on the service list prepared by the monitor or its attorneys, save and except when an order is sought against a Person not previously involved in these proceedings;
- [56] **DECLARES** that the Petitioners or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of the Order on notice only to each other.
- [57] **DECLARES** that any interested Person may apply to this Court to vary or rescind the Order or seek other relief upon five (5) days notice to the Petitioners, the Monitor and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order, such application or motion shall be filed during the Stay Period ordered by this Order, unless otherwise ordered by this Court;
- [58] **DECLARES** that the Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.
- [59] **ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioners, the Business or the Property;
- [60] **REQUESTS** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian federal court or administrative body and any federal or state court or administrative body in the United States of America and any court or administrative body elsewhere, to act in aid of and to be complementary to this Court in carrying out the terms of the Order.

[61] **ORDERS** the provisional execution of the Order notwithstanding any appeal.

Montréal, March 18, 2012

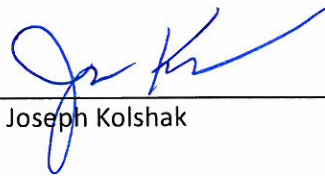

FRASER MILNER CASGRAIN LLP
Attorneys for the Petitioners

AFFIDAVIT

I, Joseph Kolshak, the undersigned, president and chief executive officer of Aveos Fleet Performance Inc. and Aero Technical US, Inc. which have their corporate headquarters at BAN 3, 2311 Alfred-Nobel Blvd., in the City of Montréal, district of Montréal, Province of Québec, Canada, H4S 2B6, do solemnly declare as follows:

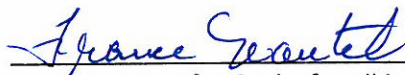
1. I am duly authorized by the Petitioners to sign the present affidavit;
2. All the facts contained in the *Petition for the issuance of an initial order* dated March 18, 2012 are true.

AND I HAVE SIGNED



Joseph Kolshak

SOLEMNLY DECLARED before me,
at Montréal, Province of Quebec, this
18th day of March 2012



Commissioner for Oaths for all judicial
Districts of the Province of Québec



NOTICE OF PRESENTATION

TO: BLAKES, CASSELS & GRAYDON LLP
Commerce Court West
199 Bay Street
Suite 4000
Toronto, Ontario M5L 1A9

Att: MILLY CHOW (milly.chow@blakes.com – fax:416.863.2653)
BERNARD BOUCHER (bernard.boucher@blakes.com – fax: 514.982.4099)

Canadian Counsel for (i) Credit Suisse AG, as administrative agent and Wells Fargo Bank, National Association, as collateral agent for the first lien lenders, and (ii) Credit Suisse AG, as administrative agent and collateral agent for the second lien lenders

AND: WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
U.S.A.

Att: GARY HOLTZER (gary.holtzer@weil.com – fax: 212.310.8007)
MICHAEL WALSH (michael.walsh@weil.com – fax: 212.310.8007)

U.S. Counsel for (i) Credit Suisse AG, as administrative agent and Wells Fargo Bank, National Association, as collateral agent for the first lien lenders, and (ii) Credit Suisse AG, as administrative agent and collateral agent for the second lien lenders

AND TO: STIKEMAN ELLIOTT LLP
4000-1155
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Montreal, Quebec
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Att: LOUIS BELANGER (louis.belanger@stikeman.com – fax: 514.397.3222)

Counsel to Air Canada

AND TO: INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS
2580 Drew Road, Suite 203
Mississauga, Ontario
L4T 3M5

Att: CHUCK ATKINSON (fax: 905.671.2114)

Union

AND TO: OFFICE OF THE SUPERINTENDENT OF FINANCIAL SERVICES
Pension Plans Division
255 Albert Street
Ottawa, Ontario K1A 0H2

(fax: 613.990.5591)

AND TO: FTI CONSULTING CANADA INC.
TD Waterhouse Tower
79 Wellington Street, Suite 2010
Toronto, Ontario M5K 1G8

Att: GREG WATSON (greg.watson@fticonsulting.com – fax: 416.649.8101)
TONI VANDERLAAN (toni.vanderlaan@fticonsulting.com – fax:416.572.4068)

Monitor

AND TO: NORTON ROSE CANADA
2500 – 1 Place Ville-Marie
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Att: MARIO FORTE (mario.forte@nortonrose.com fax: 1 416.216.3930)
SYLVAIN RIGAUD (sylvain.rigaud@nortonrose.com fax : 514.286.5474)

Counsel for the Monitor

Please refer to the content of the attached *Petition for the issuance of an Initial Order*. You are hereby advised that such Petition will be presented for adjudication before the Superior Court of Quebec (Commercial Chamber) on March 19, 2012, at 9:15 a.m. in room 16.12 of the Montreal Courthouse, located at 1 Notre-Dame Street East, Montreal, Quebec, H2Y 1B6.

Montreal, March 18, 2012



Fraser Milner Casgrain LLP
Attorneys for Petitioners

No. 500-11-

SUPERIOR COURT
Commercial Division
DISTRICT OF MONTRÉAL

**AVEOS FLEET PERFORMANCE INC. / AVEOS PERFORMANCE
AÉRONAUTIQUE INC.**

And

AERO TECHNICAL US, INC.

Petitioners

And

FTI CONSULTING CANADA INC.

Monitor

Roger P. Simard

File: 548731-1

PETITION FOR THE ISSUANCE OF AN INITIAL ORDER
(Sections 11 and seq. of the Companies' Creditors
Arrangement Act)

ORIGINAL



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