

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
NO. : 500-11-042345-120**

SUPERIOR COURT

Commercial Division
(Sitting as a Court designated pursuant to
the *Companies' Creditors Arrangement*
Act, R.S.C. 1985, c. C-36)

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

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

and

AERO TECHNICAL US, INC.

Insolvent Debtors/Petitioners

and

FTI CONSULTING CANADA INC.

Monitor

and

AIR CANADA

and

**CANADIAN IMPERIAL BANK OF
COMMERCE**

and

**WELLS FARGO BANK NATIONAL
ASSOCIATION, as Fondé de Pouvoir**

and

**CRÉDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as Fondé de Pouvoir**

and

**AVEOS HOLDING COMPANY as Fondé
de Pouvoir**

and

THE ATTORNEY GENERAL OF CANADA

and

AON HEWITT, as administrator of the

Aveos Fleet Performance Inc. pension plans

and

QUEBEC REVENUE AGENCY

and

CANADA REVENUE AGENCY

and

**THE INDIVIDUALS WHO ARE AFFECTED
AND HAVE RECEIVED SERVICE OF (...)
THE MOTION BY MAIL**

Mises-en-cause

**AMENDED MOTION FOR AUTHORIZATION TO CANCEL A LETTER OF CREDIT
AND TO MAKE CERTAIN DISTRIBUTIONS**
(Section 11 of the *Companies' Creditors Arrangement Act*)

**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
COMMERCIAL DIVISION, IN AND FOR THE DISTRICT OF MONTREAL, AVEOS
FLEET PERFORMANCE INC. / AVEOS PERFORMANCE AÉRONAUTIQUE INC.
RESPECTFULLY SUBMITS AS FOLLOWS:**

I. PREAMBLE

1. On March 19, 2012, the Honourable Mark Schragger, J.S.C. issued an order (the "Initial Order") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 in respect of Aveos Fleet Performance Inc./Aveos Performance Aéronautique Inc. ("Aveos" or the "Petitioner") and Aero Technical US, Inc., as appears from the Court record.
2. Pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed as Monitor of the Debtors (the "Monitor") and a stay of proceedings was ordered until April 5, 2012 and subsequently extended by further orders until November 22, 2013.
3. On March 20, 2012, Mr. Jonathan Solursh was appointed as Chief Restructuring Officer of the Debtors, with the requisite authority to carry on, manage, operate and supervise the management and operations of the business and affairs of the Insolvent Debtors, as appears from the Court record.

II. ORDERS SOUGHT

4. Aveos requests orders from this Court:

- (a) authorizing Aveos to deliver to Canadian Imperial Bank of Commerce ("CIBC"), with a copy to Air Canada, a notice requesting the cancellation of the Letter of Credit Reference No. SBGM746187 issued for the benefit of Aveos on March 12, 2010 by CIBC, at the request of Air Canada, in the amount of \$20 million (said letter of credit as renewed and extended from time to time, the "L/C");
- (b) directing CIBC not to make any payments on any draw on the L/C, should the original L/C ever be presented for payment, and to return to Air Canada any cash collateral held in connection therewith or to release any restrictions imposed on said cash, such that Air Canada may freely transact with same, forthwith upon receipt of: i) the notice from Aveos requesting the cancellation of the L/C, and ii) a copy of the Order sought herein;
- (c) ordering Air Canada, forthwith upon receipt of a copy of the notice to CIBC above and a copy of the Order sought herein, to make a payment of (...) \$5,511,499.00 to Aveos (the "PBA Payment") of which the sum of (...) \$5,361,499.00 is to be received by Aveos in trust as further detailed below (the "PBA Trust Payment");
- (d) ordering Aveos, acting in trust and as fiduciary, to allocate and distribute, subject to any applicable statutory withholding and remittance obligations, the PBA Trust Payment to the intended beneficiaries of such funds;
- (e) taking act of the termination of the Pension Benefit Agreement described below in accordance with the terms of the PBA Termination Agreement, as amended, as described below;

the whole as further detailed in the conclusions of this Amended Motion.

III. BACKGROUND

a) The Pension and Benefits Agreement

- 5. On June 22, 2007, Air Canada, ACTS LP, as vendor, and KSAGE MRO Holdings Inc., as purchaser, entered into a Pension and Benefits Agreement (as amended, restated and supplemented from time to time, the "PBA"). A copy of the PBA is communicated herewith, along with the five (5) Supplements thereto, *en liasse*, as **Exhibit R-1**.
- 6. The PBA was entered into at the time when the assets of ACTS LP were being purchased by KSAGE MRO Holdings Inc. The latter subsequently changed its name to ACTS Aero Technical Support & Services Inc., and then to Aveos.
- 7. The purpose of the PBA was to set out an agreement between Air Canada and Aveos regarding certain closing adjustments and future payments to Aveos by Air Canada with respect to employees and retirees' pension and health benefits matters for former Air Canada unionized and non-unionized employees that were transferred to Aveos.

8. Aveos created, *inter alia*, defined benefit and defined contribution registered pension plans, post-retirement group benefits plans and long term disability coverage plans which provided for pension and other benefits to (i) non-unionized employees of Air Canada who had been previously assigned to ACTS LP and who became employees of Aveos as of October 17, 2007, and (ii) certain unionized employees of Air Canada who were assigned to Aveos pursuant to general services agreements between Air Canada and ACTS LP and became employees of Aveos on July 14, 2011 (the "**Certification Date**").
9. Under the PBA, Air Canada agreed to make certain payments to Aveos based on actuarial calculations for each of the various programs outlined in paragraphs 13, 24, 33, 37, 40, and 41 of the PBA (the "**Air Canada Payment Obligations**"), on a quarterly basis and over a five (5) year period, beginning on the closing date of the sale to Aveos on October 16, 2007 (the "**Closing Date**") for non-unionized employees and as of the Certification Date for unionized employees. The Air Canada Payment Obligations were secured by the L/C. As discussed in greater detail below, the documents contemplated that, in the event of Aveos' insolvency, payments would be subject to a trust for the benefit of the intended beneficiaries.
10. According to the terms of the PBA Aveos undertook to assume the liabilities for such pension and other benefit obligations in respect of the transferred employees and to save and hold harmless Air Canada from any claims regarding any of the plans contemplated in the PBA. In the case of the non-unionized employees, this took effect from and after the Closing Date, whereas for the unionized employees, this was effective as of the Certification Date.
11. The PBA covered benefits for two groups - the Aveos non-unionized employees and the Aveos unionized employees, in three different categories: post-retirement group health, pension and long term disability benefits.
12. To date, the remaining Air Canada Payment Obligations that would have been payable to Aveos in connection with the programs for former **non-unionized** employees are the following:
 - (a) payments totaling \$390,160.00 under paragraph 40 of the PBA remain unpaid with respect to post-retirement group health benefits for former non-unionized employees who transferred to Aveos as of October 17, 2007 and were then eligible for such future benefits. There are (...) sixty-three (63) individuals in this group (the "**Non-Union Post-Retirement Benefit Group**"); and
 - (b) payments totaling \$600,288.00 under paragraph 13 of the PBA remain unpaid with respect to the pension deficit of the "Retirement Plan for Employees of Aveos", OSFI registration #57573, established by Aveos (the "**Non-Unionized Pension Plan**").
13. All amounts owing to Aveos by Air Canada for former non-unionized employees entitled to long term disability payments under paragraph 33 of the PBA had been paid prior to the Initial Order.

14. To date, the remaining Air Canada Payment Obligations that would have been otherwise payable to Aveos in connection with the programs for former **unionized** employees are the following:
- (a) with respect to post-retirement group health benefits under paragraph 41 of the PBA for former unionized employees who transferred to Aveos on the Certification Date and were then eligible for such future benefits, an actuarial evaluation (...) estimated this amount to be \$1,116,373.00 for the original group of fifty-three (53) individuals. Subsequent to the issuance of the Motion on September 26, 2013 (the "Motion"), Air Canada agreed, at the request of the International Association of Machinists and Aerospace Workers ("IAMAW") to include in this group a further forty-seven (47) individuals who were entitled to partial benefits, thereby increasing the amount payable for this category to \$1,916,387.00. In respect of these forty-seven (47) individuals, Air Canada and the IAMAW have acknowledged the methodology by which payments to these individuals would be calculated. There are (...) now therefore one hundred (100) individuals in this group (the "Union Post-Retirement Benefit Group"); and
 - (b) with respect to long term disability payments under paragraph 37 of the PBA to former unionized employees who qualified for such future benefits as of the Certification Date and who were receiving benefits as of the date of the Initial Order, there are twelve (12) individuals in this group. Air Canada agreed, without being required to do so under the PBA, to include in this group, for the sole purposes of the arrangements for which approval is sought in this Amended Motion, another three (3) individuals, two of whom had a pre-existing condition on the Certification Date but were not receiving benefits on the Certification Date and later resumed receiving benefits from Aveos. The third individual passed away a few months after the issuance of the Initial Order and is included for the monthly benefits that had accrued from that date up to the date of his death. There are therefore fifteen (15) participants in this group, a list of which has been provided to Aveos and to the Monitor by Air Canada. Based on an actuarial evaluation (save and except in the case of the deceased individual where payment is based on the monthly amounts which would have otherwise been payable for the three months prior to the date of death), this amount is estimated to be \$2,454,664.00 (the "**Union LTD Group**").
15. The total amount of the payments described in paragraphs 12 and 14 is (...) \$5,361,499.00. At the time the PBA Termination Agreement (as defined in paragraph 25 below) was executed, the calculation of the remaining Air Canada Payment Obligations showed an amount payable of \$4,933,000.00. However, in working through the various lists of beneficiaries, their eligibility and respective entitlements, the total payable (...) had, on the date of the Motion, been reconciled at an aggregate amount of \$4,561,485.00. As noted in paragraph 14(a), the amount payable to the Union Post-Retirement Benefit Group has increased by \$800,014.00. (...) Air Canada has (...) confirmed its obligation to pay (...) \$5,511,499.00, being the total amount of the payments described in paragraphs 12 and 14 of \$5,361,499.00, plus an amount of \$150,000.00 to cover

part of Aveos' administration costs, the whole in accordance with the Amended PBA Termination Agreement described at paragraph 25A of this Amended Motion and has further agreed to (...) pay the estimated amount of the additional funds that (...) Aveos requires to pay for applicable employer contributions which will be payable with reference to the payments to be made to the individual beneficiaries. (...) The contribution on account of Aveos' administration costs described above will help defray the significant direct and indirect costs which have been incurred in facilitating these arrangements including preparing and bringing this Amended Motion. The lists of beneficiaries and amounts have been reviewed and discussed with Sun Life as the administrator of Aveos' ASO (administrative services only) benefit plan as well as with the IAMAW and Air Canada.

16. Paragraph 24 of the PBA contemplates compensation payments to be made by Air Canada to Aveos in connection with the assumption by Aveos of the pension plan maintained for former unionized employees. However, this plan was never transferred to Aveos. Following the issuance of the Initial Order, the Office of the Superintendent of Financial Institutions ordered the termination of Aveos' defined benefits pension plans and Air Canada was ordered not to transfer to Aveos the pension assets and liabilities with regards to the transferred unionized employees and to assume all pension liabilities in connection therewith. The value of the assets that would have been transferred to Aveos under the PBA would have been significantly lower than the liabilities, such that approximately \$22 million would have been payable to Aveos pursuant to the PBA. However all the liabilities for this plan now accrue to Air Canada as a result of this decision and those liabilities far exceed any payments that would have been made under the PBA.
17. Because Aveos did not fulfill its obligation to assume the pension liabilities to the unionized employees, Aveos has no potential claim for amounts which would have otherwise been payable under paragraph 24 of the PBA.
18. The amounts owing on account of Aveos' liabilities to the Non-Union Post-Retirement Benefit Group, the Union Post-Retirement Benefit Group and the Union LTD Group were provided to Aveos by Air Canada as previous plan administrator as provided in the PBA. The amounts due in the case of the Union Post-Retirement Benefit Group and the Union LTD Group were calculated with the assistance of actuaries based on updated information that took into account the termination of employment that took place prior to or concurrent with the issuance of the Initial Order and independently reviewed by an independent actuary engaged by Aveos as further discussed below.
19. In the case of the Non-Union Post-Retirement Benefit Group, the amount payable was calculated as being the outstanding quarterly payments that would have been otherwise payable by Air Canada to Aveos as these amounts were calculated and known from and after the Closing Date.

b) Cancellation of the L/C

20. In accordance with certain Supplements to the PBA, Air Canada delivered to Aveos from time to time several letters of credit to secure the Air Canada Payment Obligations owed to Aveos, as appears from the Supplements communicated as Exhibit R-1.
21. On March 12, 2010, the PBA was modified for the last time pursuant to the Fifth Supplement to the PBA (the "**Fifth Supplement**").
22. On or around March 12, 2010, in accordance with the Fifth Supplement, all letters of credit previously issued and outstanding under the PBA were cancelled and the L/C was issued for the benefit of Aveos by CIBC, at the request and for the account of Air Canada, and delivered to Aveos to secure the payment of the Air Canada Payment Obligations. A copy of the L/C is communicated herewith as **Exhibit R-2**.
23. As appears from Exhibit R-2, the sole beneficiary of the \$20 million L/C is Aveos. However, Aveos' right to draw on the L/C is subject to the drawing restrictions and payment conditions detailed below.
24. The original L/C has been misplaced and cannot physically be returned to CIBC for purposes of cancellation. As a result, the parties have agreed to implead CIBC and to seek the issuance of orders from this Court aimed, *inter alia*, at confirming the cancellation of the L/C, facilitating the PBA Payment to Aveos and authorizing and directing the allocation and distribution of the PBA Trust Payment funds directly to the ultimate beneficiaries of each category referenced in paragraphs 12, 13 and 14 above.

c) Termination of the Pension and Benefits Agreement

25. Prior to the service of (...) the Motion, Air Canada and Aveos, with the approval of the Monitor, entered into an agreement (the "**PBA Termination Agreement**") pursuant to which Aveos undertook to bring (...) the Motion. A copy of the PBA Termination Agreement is communicated herewith as **Exhibit R-3**. The purpose and intent of the PBA Termination Agreement is to:
 - (a) at the request of Aveos and upon Air Canada's consent, make the PBA Trust Payment funds available immediately to cover potential claims for the benefit of certain former employees to the extent that their claims would have benefited from the security offered by the L/C;
 - (b) settle any potential dispute and avoid potential litigation on the existence of conditions precedent to a draw on the L/C; and
 - (c) enable Air Canada to obtain the return of any security provided to CIBC for the purpose of issuing the L/C .

- 25A. As of September 30, 2013, to give effect to discussions between the stakeholders and the agreements reached between IAMAW and Air Canada and subsequently agreed to by Aveos and the Monitor, the PBA Termination Agreement was amended and Air Canada and Aveos, with the approval of the Monitor, entered into an amended agreement (the "**Amended PBA Termination Agreement**") a copy of which is communicated herewith as Exhibit R-5.
26. The termination of the PBA is conditional upon this Court granting the orders sought herein, pursuant to which the L/C will effectively be cancelled, the cash collateral held by CIBC will be returned to Air Canada (or any restrictions imposed on said cash will be removed) and Aveos will receive the PBA Payment from Air Canada, including the PBA Trust Payment amount for purposes of distribution to the intended beneficiaries.
27. The cancellation of the L/C will be effective upon receipt, by CIBC, of a copy of the Order to be rendered herein together with a notice from Aveos (the "**L/C Notice**") in the form attached to the conclusions of this Amended Motion as Schedule "A", in which Aveos will confirm that it has no further interest in the L/C and in which CIBC will be requested to cancel the L/C with immediate effect, the whole in accordance with the Order sought by this Amended Motion.
28. Aveos and/or Air Canada intend to communicate with CIBC, before the eventual hearing of this Amended Motion by the Court, to confirm that CIBC is satisfied with these conditions and with the Order sought by this Amended Motion, as it concerns the proposed cancellation of the L/C and the release of the cash collateral to Air Canada (or the removal of any restrictions imposed on said cash).
29. In consideration for the termination of the PBA and conditional upon the cancellation of the L/C, Air Canada has agreed to remit the PBA Payment to Aveos. The PBA Payment and the payment from Air Canada to Aveos relating to applicable employer's contributions are (...) due forthwith upon the delivery of the L/C Notice by Aveos to CIBC.
30. Aveos seeks authorization and direction to proceed to allocate and distribute the PBA Trust Payment to the following individuals or entities subject to any applicable statutory and withholding and remittance obligations (the "**Proposed Distributions**"):
- (a) \$390,160.00 for the claims of the Non-Union Post-Retirement Benefit Group for post-retirement group health benefits for former non-unionized employees who transferred to Aveos as of October 17, 2007 and were then eligible for such benefits, to be paid in equal amounts for each individual;
 - (b) \$600,288.00 to Aon Hewitt, as the Administrator of the Non-Unionized Pension Plan in respect of the liabilities of Aveos to the Non-Unionized Pension Plan;
 - (c) (...) \$1,916,387.00 for the claims of the Union Post-Retirement Benefit Group of former unionized employees of Aveos who qualified, as of the

Certification Date for post-retirement group health benefits, to be distributed based on actuarial estimates of individual claims, taking into account the partial entitlements of certain employees; and

- (d) \$2,454,664.00 for the claims of the Union LTD Group of former unionized employees of Aveos who qualified, as of the Certification Date for long term disability benefits, as well as the two other individuals and the estate of a third individual as described in paragraph 14(b) of this Amended Motion, to be distributed based on actuarial estimates of individual claims (save and except in the case of the deceased individual where payment is based on the monthly amounts which would have otherwise been payable for the three months prior to the date of death).

- 31. The identity of each of the beneficiaries of the Proposed Distributions was determined in the first instance by Air Canada, as previous plan administrator, and reviewed by Aveos according to its records. In the case of the Union Post-Retirement Benefit Group and the Union LTD Group, the amounts or estimated amounts owing to the various intended beneficiaries were calculated by an actuary retained by Air Canada and subsequently verified with the assistance of an independent actuary retained by Aveos to review and confirm the actuarial reports obtained by Air Canada. Aveos was assisted throughout by the Monitor in performing this review.

- 32. These beneficiaries, including the additional beneficiaries under the Amended Motion, (...) were given prior notice of the Motion by mail along with a letter from the CRO of Aveos informing such beneficiaries of the category and amount of their claims for the purposes of the Proposed Distributions. Notice of a forthcoming Amended Motion was given in the said letter and a copy of the Amended Motion will be available on the Monitor's website. To preserve personal information and confidentiality for the affected beneficiaries who are retired or former Aveos employees, an affidavit of service by mail will be filed under seal at the hearing. The list of beneficiaries and amounts has been provided to the Monitor.

- 33. The amounts of the Proposed Distributions are based on the amounts which Air Canada would have otherwise owed to Aveos under the PBA. The intended beneficiaries are limited to those who would have been entitled to claims in accordance with the terms of the PBA.

- 34. Aveos, the CRO, the Monitor and Air Canada request that they be adequately protected by the Order of this Court in their actions of facilitating and enabling these payments to be made to the intended beneficiaries of the Proposed Distributions.

IV. **GROUND**S FOR THIS AMENDED MOTION

- 35. Aveos and Air Canada entered into discussions to settle all outstanding matters between them since the granting of the Initial Order and the first retrieval agreement concluded in April 2012. The matter of the PBA termination and the outstanding L/C was raised in the context of these discussions.

36. The L/C was procured by Air Canada in favour of Aveos for the exclusive purpose of securing the Air Canada Payment Obligations which would be payable to Aveos pursuant to specific sections of the PBA.
37. Aveos was advised that Air Canada took the position that no Air Canada Payment Obligations under the PBA were owed and that Aveos was not entitled to draw on the L/C. Under the terms of the proposed Amended PBA Termination Agreement, Aveos has requested, and Air Canada has agreed to voluntarily make the PBA Payment provided that this Honourable Court grants the relief requested in this Amended Motion.
38. Moreover, as appears from the L/C, the parties to the PBA had agreed to a payment mechanism, whereby in the circumstances where the conditions for a draw on the L/C were met while Aveos was insolvent, the payment would be made directly by CIBC to an investment grade trustee which would then proceed to administer the funds and pay eligible claims from the funds to eligible beneficiaries until such funds are depleted.
39. In fact, Aveos created a trust for that purpose, as appears from an *Amended and Restated Trust Agreement* dated as of March 12, 2010 communicated herewith as **Exhibit R-4**.
40. As such, in light of this mechanism, even if the conditions for a draw on the L/C were met, Aveos would not be entitled to the L/C funds for its own account; in other words, the L/C funds could not be paid to Aveos in accordance with the terms of the agreements and the L/C funds would therefore never be available for the general body of creditors.
41. The Monitor has confirmed to Aveos that it has sought an independent legal opinion to determine that the L/C and the proceeds thereof are not part of Aveos' property available for distribution to its creditors generally in these CCAA Proceedings, nor in an eventual bankruptcy. It is anticipated that this issue will be discussed in the Monitor's report to be filed in connection with this Amended Motion.
42. In addition, the Third Party Secured Lenders, who hold valid and enforceable security over all the property and assets of Aveos, have been advised of the Amended PBA Termination Agreement and the Agent for the Third Party Secured Lenders has confirmed that it will not object to the Order sought in this Amended Motion.
43. The Proposed Distributions as they relate to the Union Post-Retirement Benefit Group and the Union LTD Group have been reviewed and discussed with IAMAW, the union representing the former Aveos unionized employees.
44. If a draw was possible under the L/C and the funds were paid to the trustee as contemplated under the current agreements, the trustee fees, legal fees, claim administration costs, management and other expenses would significantly deplete the amounts that would otherwise be available to beneficiaries.

45. Given that these beneficiaries have received no post-retirement benefits or long term disability payments since the date of the Initial Order, it is fair, reasonable and equitable that they receive as soon as possible a lump sum payment.
46. In light of the proposed satisfaction of the Air Canada Payment Obligations and the proposed termination of the PBA, there exists no valid purpose for the continued existence of the L/C. Since the L/C has yet to expire according to its terms, Aveos respectfully submits that it should be authorized to deliver to CIBC a notice requesting the cancellation the L/C in accordance with the Order sought in this Amended Motion.
47. It is submitted that the Proposed Distributions contemplated herein are in the best interests of Aveos' stakeholders and should be made without any further delay.
48. Aveos therefore respectfully requests this Court to order the provisional execution of the Order to be rendered on this Amended Motion.
49. The present Amended Motion is well founded in fact and in law.

WHEREFORE, MAY THIS COURT:

- [1] **GRANT** the Amended Motion for Authorization to Cancel a Letter of Credit and to Make Certain Distributions (the "**Motion**");
- [2] **DECLARE** that all capitalized terms not otherwise defined in the Motion shall have the meaning ascribed to them in the Initial Order dated March 19, 2012, as amended and restated, granted by the Honourable Mark Schrager, J.S.C., in the present matter;
- [3] **DECLARE** that the time for service of the Motion is abridged to the time actually given and service of the Motion and supporting material is good, valid and sufficient, and any further service thereof is hereby dispensed with;
- [4] **AUTHORIZE AND DIRECT** Aveos to take any and all steps which are necessary to deliver a notice (the "**L/C Notice**") to Canadian Imperial Bank of Commerce ("**CIBC**"), with a copy to Air Canada, requesting the cancellation of the Letter of Credit Reference No. SBGM746187 issued for the benefit of Aveos on March 12, 2010 by CIBC at the request of Air Canada, in the amount of \$20 million (said letter of credit as renewed and extended from time to time, the "**L/C**"), in which Aveos confirms that it has no further interest in the L/C and that CIBC is authorized to cancel the L/C with immediate effect, the whole in the form of the notice attached to this Order as **Schedule "A"**;
- [5] **DIRECT** CIBC not to make any payments on any draw on the L/C should the original L/C ever be presented for payment, and **DECLARE** that the L/C shall be effectively cancelled upon CIBC receiving the L/C Notice and a copy of this Order;
- [6] **DIRECT** CIBC, upon receipt of the L/C Notice and a copy of this Order, to forthwith return any cash collateral held in connection with the L/C to Air Canada

or to release any restrictions imposed on said cash, such that Air Canada may freely transact with same;

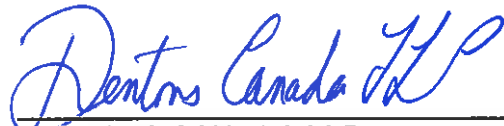
- [7] **ORDER** Air Canada, forthwith upon the delivery of the L/C Notice and a copy of this Order, to make a payment of (...) \$5,511,499.00 to Aveos, of which the sum of (...) \$5,361,499.00 is to be received and held in trust (such trust portion, the "PBA Trust Payment");
- [8] **ORDER** Aveos, acting in trust and as fiduciary, to allocate and distribute, subject to any applicable statutory withholding and remittance obligations, the PBA Trust Payment to the following individuals and entities:
- (a) \$390,160.00 for the claims by former non-unionized employees of Aveos who transferred to Aveos as of October 17, 2007 and were then eligible for post-retirement group health benefits, to be paid in equal amounts for each individual;
 - (b) \$600,288.00 to Aon Hewitt, as the Administrator of the Non-Unionized Pension Plan in respect of the liabilities of Aveos to the Non-Unionized Pension Plan;
 - (c) (...) \$1,916,387.00 for the claims by former unionized employees of Aveos who qualified, as of July 14, 2011, for post-retirement group health benefits, to be distributed to such persons based on actuarial estimates of their individual claims, taking into account the partial entitlements of certain employees; and
 - (d) \$2,454,664.00 for the claims by former unionized employees of Aveos who qualified, as of July 14, 2011, for long term disability benefits, as well as for the two individuals with a pre-existing condition and the estate of the deceased individual described in paragraph 14(b) of the Motion who are included in the list of the Union LTD Group members and respective amounts provided to Aveos and to the Monitor, to be distributed to such persons based on actuarial estimates of their individual claims (save and except in the case of the deceased individual where payment is based on the monthly amounts which would have otherwise been payable for the three months prior to the date of death).
- [9] **TAKE ACT** of the Parties' termination of the Pension and Benefits Agreement under the Amended PBA Termination Agreement, Exhibit (...) R-5 to the Motion, as well as the Monitor's consent thereto;
- [10] **DECLARE** 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, (iii) any receivership of the Petitioners, and (iv) the provisions of any federal or provincial statute, the PBA Trust Payment funds are to be deemed held in trust and create a trust, enforceable against third parties, the Third Party Secured Lenders and other secured parties, the CCAA Charges, any receiver, trustee in bankruptcy and the payments or disposition of Property made by the

Petitioners pursuant to this Order, 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;

- [11] **DECLARE** that the trust mentioned above and the payments to be made pursuant to this Order shall be valid and enforceable and have full effect as to the priorities applicable as against all Property of the Petitioners and opposable to all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Petitioners, for all purposes;
- [12] **DECLARE** that Aveos, the Chief Restructuring Officer, the Monitor and Air Canada along with their respective partners, principals, directors, officers, employees and agents shall have no liability with respect to the payments made in accordance with this Order.
- [13] **ORDER** the provisional execution of this Order notwithstanding appeal and without the need to furnish any security.

THE WHOLE without costs, save in case of contestation.

Montréal, (...) October 4th, 2013



DENTONS CANADA LLP

Attorneys for Insolvent Debtors/Petitioners

SCHEDULE "A"

To the Order issued on ●, 2013 by Hon. Mark Schragger J.S.C.
in file : **500-11-042345-120**

[On letterhead of Beneficiary Aveos Fleet Performance Inc.]

[Date]

TO: Canadian Imperial Bank of Commerce ("CIBC")
Trade Finance Operations
1155 boul. René-Lévesque Ouest, 12è étage,
Montréal, QC H3B 3Z4

RE: CIBC Letter of Credit No.	SBGM746187
Applicant:	Air Canada
Beneficiary:	Aveos Fleet Performance Inc.
Amount:	\$20,000,000.00
Current Expiry date:	Mar 11, 2014

With respect to the above-noted letter of credit, we confirm we have no further interest in the letter of credit and authorize CIBC to cancel the letter of credit with immediate effect. We are unable to locate the original letter of credit and undertake to return it to CIBC promptly if it is located.

Aveos Fleet Performance Inc.

Per: _____
Name: Jonathan Solursh
Title: Chief Restructuring Officer
Authorized signing officer pursuant to his
Appointment in a Court Order

NOTICE OF PRESENTATION

TO: SERVICE LIST

TO: The individuals affected by the Motion and listed in the affidavit of service

TAKE NOTICE that the *Amended Motion for Authorization to Cancel a Letter of Credit and to Make Certain Distributions* will be presented before the Honourable Mark Schragger of the Superior Court, sitting in and for the Commercial Division, in **Room 16.12 of the Montreal Courthouse**, situated at 1 Notre-Dame Street East, Montreal, on **October 11, 2013 at 9h15 a.m.**, or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, (...) October 4th, 2013

DENTONS CANADA LLP

Attorneys for Insolvent Debtors/Petitioners

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
NO. : 500-11-042345-120

SUPERIOR COURT
Commercial Division
(Sitting as a Court designated pursuant to
the *Companies' Creditors Arrangement Act*,
R.S.C. 1985, c. C-36)

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

AVEOS FLEET PERFORMANCE INC. /
AVEOS PERFORMANCE
AÉRONAUTIQUE INC.

and

AERO TECHNICAL US, INC.

Insolvent Debtors/Petitioners

and

FTI CONSULTING CANADA INC.

Monitor

and

AIR CANADA

and

CANADIAN IMPERIAL BANK OF
COMMERCE

and

WELLS FARGO BANK NATIONAL
ASSOCIATION, as Fondé de Pouvoir

and

CRÉDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as Fondé de Pouvoir

and

AVEOS HOLDING COMPANY as Fondé
de Pouvoir

and

THE ATTORNEY GENERAL OF CANADA

and

AON HEWITT, as administrator of the
Aveos Fleet Performance Inc. pension
plans

and

QUEBEC REVENUE AGENCY

and

CANADA REVENUE AGENCY

and

**THE INDIVIDUALS WHO ARE AFFECTED
AND HAVE RECEIVED SERVICE OF THE
MOTION BY MAIL**

Mises-en-cause

**PETITIONERS' AMENDED LIST OF EXHIBITS ON THE AMENDED MOTION FOR
AUTHORIZATION TO CANCEL A LETTER OF CREDIT AND TO MAKE CERTAIN
DISTRIBUTIONS**

- Exhibit R-1: Pension and Benefits Agreement dated as of June 22, 2007 (as amended, restated and supplemented from time to time) and five supplements thereto, en liasse;
- Exhibit R-1a): First Supplement to the Pension and Benefits Agreement dated as of October 16, 2007;
- Exhibit R-1b): Second Supplement to the Pension and Benefits Agreement dated as of October 28, 2008;
- Exhibit R-1c): Third Supplement to the Pension and Benefits Agreement and Amendment to Payment Suspension Agreement dated as of January 7, 2009;
- Exhibit R-1d): Fourth Supplement to the Pension and Benefits Agreement dated as of January 8, 2009;
- Exhibit R-1e): Fifth Supplement to the Pension and Benefits Agreement dated as of March 12, 2010;
- Exhibit R-2: Copy of Letter of credit SBGM746187 issued by CIBC on March 12, 2010;
- Exhibit R-3: PBA Termination Agreement;
- Exhibit R-4: Amended and Restated Trust Agreement dated as of March 12, 2010;
- Exhibit R-5: Amended PBA Termination Agreement, dated as of September 30, 2013.

Montréal, (...) October 4th, 2013



DENTONS CANADA LLP

Attorneys for Insolvent Debtors/Petitioners

No 500-11-042345-120

SUPERIOR COURT (Commercial Division)
DISTRICT OF MONTRÉAL

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

AVEOS FLEET PERFORMANCE INC. / AVEOS
PERFORMANCE AÉRONAUTIQUE INC.

And

AERO TECHNICAL US, INC.

Insolvent Debtors/Petitioners

And

FTI CONSULTING CANADA INC.

Monitor

And

AIR CANADA and

CANADIAN IMPERIAL BANK OF CANADA

And AL

Mises-en-cause

AMENDED MOTION FOR AN AUTHORIZATION TO CANCEL A LETTER
OF CREDIT AND TO MAKE CERTAIN DISTRIBUTIONS

ORIGINAL



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