

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

**SUPERIOR COURT  
(Commercial Division)**

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

N° 500-11-042345-120

**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.**

*Petitioners/Insolvent Debtors/Respondents*

AND

**FTI CONSULTING CANADA INC.**

*Monitor*

**AIR CANADA**

*Petitioner*

AND

**CREDIT SUISSE AG, CAYMEN ISLANDS  
BRANCH**

AND

**INTERNATIONAL ASSOCIATION OF  
MACHINISTS AND AEROSPACE WORKERS**

*Contesting Parties*

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**CONTESTATION OF THE INTERNATIONAL ASSOCIATION OF MACHINISTS AND  
AEROSPACE WORKERS TO PETITIONER'S *DE BENE ESSE* MOTION FOR AN  
ORDER LIFTING THE STAY OF PROCEEDINGS TO CONFIRM THE TERMINATION  
OF CERTAIN CONTRACTS**

**(SECTION 11 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT* ("CCA"))**

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IN SUPPORT OF ITS CONTESTATION, THE CONTESTING PARTY, INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS, ("CONTESTING EMPLOYEES" OR "THE IAMAW") SUBMITS THE FOLLOWING TO THE HONOURABLE MARK SCHRAGER, J.S.C., SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTREAL:

I. INTRODUCTION

1. On March 19, 2012, this Court issued an order (the "Initial Order") pursuant to the *Companies' Creditors Arrangement Act* in respect of Aveos Fleet Performance Inc. and Aero Technical US, Inc. (the "Insolvent Debtors"), as appears from the Court record;
2. Pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed Monitor of the Insolvent Debtors, and a stay of proceedings (the "Stay of Proceedings") was granted in favour of the Insolvent Debtors until and including April 5, 2012, as appears from the Court record;
3. On March 20, 2012, the Court issued an order appointing Mr. Jonathan Solursh as Chief Restructuring Officer of the Insolvent Debtors, as appears from the Court record;
4. On April 5, 2012, the Stay of Proceedings was extended until and including May 4, 2012, as appears from the Court record;
5. On April 20, 2012, following the filing of the Insolvent Debtors' *Motion for Approval of a Divestiture Process*, the Court issued an *Order Approving the Divestiture Process* by which it approved a proposed process for the divestiture of the Insolvent Debtors' assets set forth in Exhibit R-2 referred to therein (the "Divestiture Process"), which process ends on or about June 11, 2012, at the latest, as appears from the Court record;
6. On May 2, 2012, Air Canada filed a *De Bene Esse Motion for an Order Lifting the Stay of Proceedings to Confirm the Termination of Certain Contracts* (the "Air Canada Motion");
7. On May 4, 2012, the Stay of Proceedings was extended again until and including July 20, 2012, as appears from the Court record;
8. Air Canada seeks to have the Court allow for the termination of the GTA and the Services Agreements (as defined in the Air Canada Motion) (the "Agreements") prior to the completion of the Divestiture Process;
9. The Air Canada Motion alleges principally two grounds to achieve this objective:
  - 1) Hardship to Air Canada ensuing from the current situation; and

2) No impact on the Divestiture Process;

## II. THE CONTESTING EMPLOYEES' RIGHT TO CONTEST THE AIR CANADA MOTION

10. The IAMAW represents approximately 2500 former employees of Aveos Fleet Performance Inc. ("**Aveos**") across Canada, pursuant to orders of the Canada Industrial Relations Board dated January 31, 2011, as appears from the "**Certification Orders numbers 9994-U and 9995-U issued on January 31, 2011 by the Canada Industrial Relations Board**", *en liasse*, filed herewith as **Exhibit E-1**;
11. The IAMAW is also party to a collective agreement with Aveos and to a tripartite agreement between IAMAW, Aveos and Air Canada, known as the Transition Agreement, which sets out the certain terms and agreements entered into in the context of the transition of employees from Air Canada to Aveos following the sale of Aveos in 2007, as appears from the "**Memorandum of Agreement and Annexes, Letters of Agreement and Letter of Clarification all dated January 8, 2009**", *en liasse*, filed herewith as **Exhibit E-2**;
12. The Contesting Employees are highly skilled individuals with expertise specific to Aveos' business, many of whom have provided years of service to Aveos and to Air Canada, in its capacity as predecessor employer, and whose lives and careers are deeply invested in Aveos;
13. The IAMAW is a key stakeholder in this proceeding, representing the interests of the employees in seeing the Divestiture Process result in going-concern sales of Aveos' business that will preserve jobs for Aveos' former employees, as well as preserve the aeronautical industry in Canada and the economic benefits of the continuation of Aveos' business in communities across Canada;
14. The Contesting Employees are recognized as a "Key Commercial Stakeholder" in the context of the Divestiture Process, as set out in Schedule F thereof, as appears from the Court record;
15. It is also a requirement of the Divestiture Process that bids contain sufficient details of the proposed number of employees of Aveos who will become employees of the bidder, as set out in Section 2.3.7 of Schedule B thereof, as appears from the Court record;
16. The IAMAW is actively engaged in the Divestiture Process, in the course of which it has been meeting with potential purchasers to work towards going-concern sales that will preserve jobs, as well as the industry as a whole, in the locations where Aveos and Air Canada previously operated;
17. The IAMAW is also taking steps to work with a number of government entities that have expressed their interest in ensuring results that preserve gainful

employment in their respective communities, including the Quebec Minister of Economic Development who has stated that the Province of Quebec is open to providing financial support to a new owner of the insolvent Aveos aircraft heavy maintenance firm, provided it is a viable business that sustains jobs in the Montreal area;

18. Furthermore, the British Columbia Minister of Jobs, Tourism and Innovation has issued a statement indicating that the Province of British Columbia and IAMAW, Local Lodge 764 are prepared to operate with prospective bidders with the purpose of maintaining the industry in the province, as appears from the "**British Columbia Ministry of Jobs, Tourism and Innovation Statement on Aveos dated May 2, 2012**", filed herewith as **Exhibit E-3**;
19. In addition, the mayors of Montreal, Winnipeg and Mississauga have expressed similar concerns about the impact of the loss of Aveos jobs on their communities in a letter to the Prime Minister of Canada, stating *inter alia* that in "the current, fragile economic situation", it is their duty "to safeguard the leading edge technology infrastructures and jobs that make Canada one of the worldwide leaders in the field of aeronautics", as appears from the "**Ville de Montréal News Release, 'Closing down of Aveos', dated March 23, 2012**", filed herewith as **Exhibit E-4**;
20. Finally, the Contesting Employees are creditors of Aveos, including in relation to debts owed for unpaid wages, vacation pay, pension obligations, termination and severance pay;

### III. GROUNDS FOR THIS CONTESTATION

21. The Contesting Employees submit that the Air Canada Motion is both premature and detrimental to the Divestiture Process;
22. The Contesting Employees support the position taken by the Insolvent Debtors and the other Contesting Party, and adopt the contents of their contestations herein, with neither prejudice nor admission, in opposing the Air Canada Motion;
23. The Contesting Employees believe that termination of the Agreements at this point will be detrimental to the Divestiture Process;
24. At the very least, it is premature in these CCAA proceedings for the Court to make a determination about the status of the Agreements, while the Divestiture Process is underway on an extremely expedited basis;
25. The Air Canada Motion alleges no actual significant prejudice caused by the Stay of Proceedings and the ongoing Divestiture Process, as confirmed in Air Canada's Press Releases, and no actual and pressing reason to immediately terminate the Agreements, as appears from the "**Air Canada News Releases**

respectively dated March 19, 2012, March 20, 2012, March 22, 2012, April 26, 2012 and May 4, 2012", *en liasse*, filed herewith as Exhibits E-5;

26. On the other hand, if the Stay of Proceedings is lifted and the Agreements are terminated precipitously, it could lead to a decrease in the viability and value of the Insolvent Debtors' primary lines of business, or those of its divisions, which would result in prejudice to the Insolvent Debtors, as well as all other stakeholders;
27. In fact, work emanating directly from Air Canada forms the majority of the business of Aveos in each of the lines of business identified in the Divestiture Process and, in the case of the airframe maintenance business locations and the Toronto wheel shop, work emanating directly from Air Canada forms all, or the vast majority, of the business carried out by Aveos;
28. The Air Canada Motion (notably at paragraphs 41 and 42) states that Air Canada seeks to terminate its service contracts with Aveos in order to be in a position to secure less costly "long term, more stable arrangements";
29. The Contesting Employees take the position that, were Air Canada to enter into long-term contracts for its work at this time, prior to the identification of any purchaser of Aveos' business, the effect would be to fundamentally undermine the Divestiture Process, since an eventual purchaser would not be able to avail itself of core elements of Aveos' business;
30. The Contesting Employees believe that the Divestiture Process, if successful, will very promptly trigger going-concern sales which will preserve jobs for the former employees of Air Canada and Aveos and will result in the continued availability in Canada of maintenance repair and overhaul services, including to Air Canada;
31. It is in the interest of the Contesting Employees and of the general public that the Court allow the Divestiture Process to run its course, without terminating the Agreements, and potentially preserve hundreds, if not thousands, of highly skilled jobs in Canada;
32. This course of action is also in the interests of Air Canada, which has stated its support for the Divestiture Process in the Air Canada Motion itself;
33. Air Canada has also publicly stated a preference for sending its maintenance repair and overhaul work to the former employees of Aveos and to the communities in which Aveos, and Air Canada before it, carried on this work, as appears from the "**Standing Committee on Transport, Infrastructure and Communities, Transcript, Number 30, 1<sup>st</sup> Session, 41<sup>st</sup> Parliament, March 29, 2012**", filed herewith as **Exhibit E-6**;
34. On balance, and in light of the circumstances, we respectfully submit that it would be prudent for this Court to allow the Divestiture Process to run its course,

without terminating the Agreements, in the interest of the mass of stakeholders, including the Contesting Employees and the general public;

**WHEREFORE, MAY THIS COURT:**

**GRANT** the present Contestation;

**DECLARE** that Air Canada is not entitled to obtain a lifting of the Stay of Proceedings;

**DECLARE** that Air Canada is not entitled to terminate in whole or in part the Air Canada GTA and Services Agreements (Exhibits P-1 to P-9);

**DISMISS** Air Canada's *De Bene Esse Motion for an Order Lifting the Stay of Proceedings to Confirm the Termination of Certain Contracts*;

**THE WHOLE WITH COSTS.**

**Montreal, this 15<sup>th</sup> day of May, 2012**

*Langlois Kronström Desjardins LLP*

**LANGLOIS KRONSTRÖM DESJARDINS, LLP**  
Attorneys for the Contesting Party,  
International Association of Machinists and  
Aerospace Workers

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

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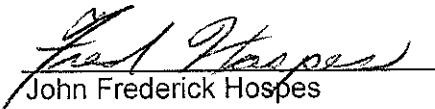
**AFFIDAVIT IN SUPPORT OF THE CONTESTATION OF THE INTERNATIONAL  
ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS TO PETITIONER'S  
DE BENE ESSE MOTION FOR AN ORDER LIFTING THE STAY OF PROCEEDINGS  
TO CONFIRM THE TERMINATION OF CERTAIN CONTRACTS  
(SECTION 11 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT ("CCA"))**

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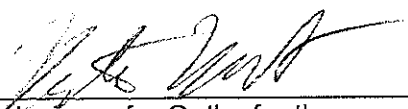
I, the undersigned, John Frederick Hospes, having my principal place of business at 7980 River Road, Richmond, British Columbia, V6X 1X7, solemnly affirm the following:

1. I am a Regional Assistant Directing General Chairperson with Transportation District 140 of the International Association of Machinists and Aerospace Workers and in that capacity have been assigned responsibility for the proceedings under the Companies' Creditors Arrangement Act concerning Aveos Fleet Performance Inc.;
2. All the facts alleged in the *Contestation of the International Association of Machinists and Aerospace Workers to Petitioner's De Bene Esse Motion for an Order lifting the Stay of Proceedings to confirm the Termination of Certain Contracts* are true insofar as same do not appear from the Court record.

AND I HAVE SIGNED:

  
John Frederick Hospes

Solemnly affirmed before me at the City of Vancouver in the Province of British Columbia on May 15, 2012

  
Commissioner for Oaths for the Province of British Columbia

Number:

**PATRICK (RICK) MONTENS**  
*Barrister & Solicitor*  
700 - 401 WEST GEORGIA STREET  
VANCOUVER, B.C. V6B 5A1  
TEL: (604) 682-3664



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PROVINCE OF QUEBEC  
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*Contesting Parties*

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**ATTESTATION OF AUTHENTICITY**

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I, Alexander Herman, exercising my professional activities at the law firm of Langlois Kronström Desjardins LLP, at 1002 Sherbrooke Street West, 28<sup>th</sup> Floor, Montreal, Quebec, H3A 3L6, hereby solemnly affirm:

1. On May 15, 2012, I received an affidavit signed by John Frederick Hospes, Regional Assistant Directing General Chairperson with Transportation District 140 of the International Association of Machinists and Aerospace Workers in support of the Contestation to Petitioner's *De Bene Esse Motion for an Order Lifting the Stay of Proceedings to Confirm the Termination of Certain Contracts*;
2. The above-mentioned affidavit was sent to the undersigned from the Province of British Columbia via e-mail by the affiant, John Frederick Hospes;
3. The copy of the affidavit joint to this attestation is a true copy of the affidavit received in PDF format on May 15, 2012 from John Frederick Hospes.

**AND I HAVE SIGNED:**



**ALEXANDER HERMAN**

**Solemnly affirmed before me  
Montreal, on May 15, 2012**



**COMMISSIONER FOR OATHS FOR QUEBEC**

**LISE PICHÉ**

N° : 500-11-042345-120

SUPERIOR COURT (Commercial Division)

District of Montreal

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**ASSOCIATION OF MACHINISTS AND**

**AEROSPACE WORKERS**

Contesting Parties

**CONTESTATION OF PETITIONER'S DE BENE**

**ESSE MOTION FOR AN ORDER LIFTING THE**

**STAY OF PROCEEDINGS TO CONFIRM THE**

**TERMINATION OF CERTAIN CONTRACTS AND**

**AFFIDAVIT AND ATTESTATION OF**

**AUTHENTICITY**

**COPY**

**Langlois Kronström Desjardins L.L.P.**

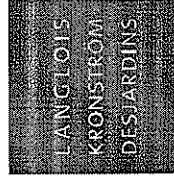
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**Mtre. Gerry Apostolatos**

**Mtre. Alexander Herman**

**O/F : 334990-001**

**BL 0250**