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July 13, 2012

**DELIVERED VIA FAX (613-990-7394),
EMAIL (TAMARA.DEMOS@OSFI-BSIF.GC.CA)
AND REGULAR MAIL**

Mary Picard
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DIRECT 416 863 4469
File No.: 548732-1

Superintendent of Financial Institutions
Office of the Superintendent of Financial Institutions
255 Albert Street
Ottawa, Canada
K1A 0H2

Attn: Ms. Tamara DeMos

Dear Madam:

Re:

Retirement Plan for Employees of Aveos, OSFI registration number 57573 ("Non-Union DB Plan")

Retirement Plan for Unionized Employees of Aveos, OSFI registration number pending ("Union DB Plan")

Aveos Defined Contribution Pension Plan, OSFI registration number 57460 ("DC Plan")

(collectively referred to as the "Plans")

Thank you for your letter dated June 27, 2012 regarding amounts owing to the Plans. I am responding to your letter on behalf of Aveos Fleet Performance Inc. ("Aveos").

You requested that Aveos confirm the amounts you estimated as owing to the Plans. You also requested information about the proposed time frame for Aveos' payment of the amounts into the Plans. The purpose of this letter is to respond to your requests.

Non-Union DB Plan

Current service payments

Aveos intends to contribute to the Non-Union DB Plan all unpaid employer and employee current service (normal cost) contributions that have accrued up to the date of the plan termination date of May 19, 2012, in the amounts set out in Section A of your June 27th letter. Specifically, Aveos plans to contribute by July 31, 2012 a total of \$219,500, comprised of:

\$47,500 for unpaid employee contributions accrued prior to March 19, 2012;

\$163,900 for unpaid employer contributions accrued prior to March 19, 2012; and

\$8,100 for unpaid employer contributions accrued from March 19 to May 19, 2012.

2.

The amount of \$7,000 for employee contributions accrued from March 19 to May 19, 2012 has already been contributed to the Non-Union DB Plan on June 12, 2012.

Special payments

Your estimate of the unpaid special payments in respect of the Non-Union DB Plan appears to be correct. Specifically, Aveos confirms that a total of \$2,804,450 represents unpaid special payment obligations for the period ending December 31, 2012. That total is the sum of the amounts set out on pages 2 and 3 of your letter (\$509,900 x 2, plus \$1,784,650). Aveos does not intend to contribute special payments to the Non-Union DB Plan at this time. In view of your position that these amounts must be paid to the Non-Union DB Plan now, Aveos will seek to have the court determine the respective rights of the beneficiaries of the deemed trust under the *Pension Benefits Standards Act* and other stakeholders when available funds can be distributed.

DC Plan

Aveos intends to pay to the DC Plan all unpaid employer and employee contributions in respect of the period up to the date of the plan termination date of May 19, 2012, in the amounts set out in Section A of your June 27th letter. Specifically, Aveos plans to contribute by July 31, 2012 a total of \$138,000, comprised of:

- \$65,800 for unpaid employee contributions accrued prior to March 19, 2012;
- \$65,900 for unpaid employer contributions accrued prior to March 19, 2012; and
- \$6,300 for unpaid employer contributions accrued from March 19 to May 19, 2012.

The amount of \$6,200 for employee contributions accrued from March 19 to May 19, 2012, has already been contributed to the DC Plan on June 12, 2012.

Union DB Plan

Employee current service payments

Aveos has already paid to the Union DB Plan all employee contributions in respect of the period from March 19 to May 25, 2012 on June 12, 2012. Aveos intends to pay all unpaid employee contributions in respect of the period prior to March 19, 2012, in the amount of \$272,500 by July 31, 2012.

Special payments and employer current service payments

Aveos does not intend to make any employer contributions for current service or special payments at this time. The funded status and contribution obligations regarding the Union DB Plan are unusual, as you know, due to the fact that no initial valuation report has been filed, and a potential surplus was previously estimated. For these reasons, Aveos is carefully considering its obligations regarding employer current service payments. Aveos is in the process of retaining advice from an independent actuary regarding its obligations. I will report to you regarding Aveos' position, once it has had an opportunity to consider the advice of the independent actuary.

In addition and as with the Non-Union DB Plan, in view of your position that these amounts must be paid to the Union DB Plan now, Aveos will seek to have the court determine the respective rights of the beneficiaries of the deemed trust under the *Pension Benefits Standards Act* and other stakeholders when available funds can be distributed.

3.

Please let me know if you wish to have a discussion about any of these issues.

Sincerely,
Fraser Milner Casgrain LLP

A handwritten signature in black ink, appearing to read 'Mary Picard', written in a cursive style.

on behalf of
Mary Picard
Partner
MP/av

c.c. Jonathan Solursh, Chief Restructuring Officer, Aveos Fleet Performance Inc. (by email)
Toni Vanderlaan, FTI Consulting Inc. (CCAA Monitor) (by email)
Danny Boutin, Aon Hewitt (by email)
Chuck Frosst, Vice President, Human Resources, Aveos Fleet Performance Inc. (by email)
Chuck Saab, OSFI, Private Pension Plans Division (by email)
Roger Simard, FMC Law (by email)

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