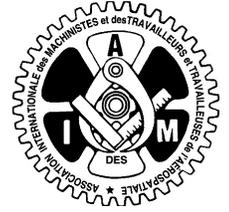


DISTRICT 140

ASSOCIATION INTERNATIONALE DES MACHINISTES ET DES TRAVAILLEURS ET TRAVAILLEUSES DE L'AÉROSPATIALE
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS



INFORMATION UPDATE April 4, 2012

The Aveos CCA Process

The purpose of this document is to give you an update about the process under the Companies' Creditors Arrangement Act (CCAA).

Background

What is the CCAA?

The usual purpose of the CCAA is to give an insolvent company an alternative to going bankrupt and shutting its doors for good. During the process, a "stay" is put in place which stops creditors from trying to recover what they are owed while the Company restructures.

Aveos obtained an "Initial Order" under the CCAA on March 19, 2012, which put a stay in place that froze all legal actions against the Company and its Directors, including grievances, disciplinary appeals and actions to recover unpaid wages and other debts to employees. The current stay is in place until April 5, 2012. On April 5, 2012, Aveos will return to Court to request an extension of the stay until May 4, 2012.

If, for any reason, a stay under the CCAA is not extended, the CCAA proceeding will end and the Company will go into formal bankruptcy and liquidation under the Bankruptcy and Insolvency Act (BIA).

In a typical case, the CCAA allows a Company to put together a restructuring plan known as a "Plan of Arrangement" which is then voted on by creditors. The idea is that the Company negotiates a plan with the main creditors and stakeholders that will allow it to survive and that creditors will support because it gives them an outcome at least as good as they would have achieved if the Company had shut down and its assets had been divided up in accordance with the Bankruptcy and Insolvency Act.

The CCAA can, however, sometimes be used to sell off the assets or liquidate a company, usually where the aim is to sell all or part of the business to be operated by another owner. This appears to be Aveos' current intention in this case. The Court will oversee the process to ensure that the outcome of using the CCAA remains better for stakeholders overall than the use of the Bankruptcy and Insolvency Act.

Aveos owes me money, how will it be decided what payment I will receive?

Under a CCAA Plan of Arrangement, it is the plan that sets set out what debts the Company plans to affect (or compromise) by the Plan and how they are to be affected that is, how many cents on the dollar and/or new Company shares each type of debt will receive. A Plan of Arrangement will pass if it is consistent with certain legal tests and is approved of by two-thirds of the creditors representing at least 50% of the debt, voting in separate "classes" defined by the Court.

Under the BIA, the rules for distributing assets between creditors are set out in the statute. In general, secured creditors get paid first, before unsecured creditors get access to any recovery.

However, under both the BIA and the CCAA, there is a "super-priority" over the Company's assets for unpaid wages to employees up to \$2,000 per employee as well as for unpaid pension contributions. This means that under either law, \$2000 of unpaid wages (including vacation and overtime pay, but not severance and termination) are to be paid to employees before secured creditors are paid. Other amounts owed to employees are viewed in law as unsecured debts.

When Aveos closed its doors, it owed most of you two weeks of wages for work already done. Aveos has stated an intention to pay out the base wages, but has not done so to date. Under the current terms of the Initial Order, Aveos is allowed to make this payment if its secured lenders agree, but it is not under any legal obligation to make this payment.

Aveos has now filed a motion in Court, to be heard on April 5, 2012, dealing with payment of the pre-filing base wages. If the Court approves that motion, the pre-filing base payroll will be paid out now, on terms designed by Aveos to ensure that secured creditors and employees do not give up any rights they would have held if Aveos chose to delay the payment until the close of the CCAA process.

The IAMAW is representing your interests in this process, and once the Court has ruled, we will provide you with full details in a subsequent bulletin.

Materials filed in the Aveos CCAA Court proceeding are available at: <http://cfcanada.fticonsulting.com/aveos>. A link to this site and further information can be also be found on the Aveos website at www.aveos.com

What do I need to do?

Nothing yet, other than continue to encourage your political representatives to support a solution that saves jobs.

As the process develops a claims process will likely be set up to finally establish how much the Company owes and who they owe it to.

No claims process is in place yet, and the Union has not yet received any accounting from Aveos of the precise debts owed to the Union and its members.

Once a claims process is in place, a date will be set before which anyone owed money by Aveos will have to file a proof of claim. The Monitor and the IAMAW will advise you of any claims process and filing deadline.

In any claims process the IAMAW will file claims on behalf of its members for monies owed under the collective agreement, including, unpaid wages, overtime, vacation pay, time bank, notice and severance, as well as outstanding grievances and discipline appeals.

You therefore will not need to file a personal proof of claim for amounts that you claim Air Canada owes you under the collective agreement – although you are free to do so if you wish.

However, if you have a personal claim that Air Canada owes you money (e.g., unpaid out of pocket expenses), you may need to file a proof of claim. The Monitor and the IAMAW will provide further instructions as needed.

You may also have heard about the Wage Earner Protection Program (WEPP). The WEPP is a federal government program that ensures that employees terminated in the context of a bankruptcy or receivership receive - unpaid wages, notice and severance up to a cap of \$3,530.

The WEPP is not yet triggered because the CCAA proceeding is neither a receivership nor a bankruptcy at this stage.

In the event that a claim can be filed under the WEPP, a package will be sent out to you by the trustee or receiver and the IAMAW will provide assistance and representation in the process.

What has happened so far in this process?

On March 18, 2012, Aveos closed its doors and terminated all members working in heavy maintenance without notice of any kind to the Union or to the members. At first, it told our members working in engine and component maintenance to stay home with pay until further notice.

On March 19, 2012, Aveos filed for protection under the CCAA and received an Initial Order that stayed all proceedings against itself and its directors.

On March 20, 2012, Aveos returned to Court to advise that it was unable to reach a hoped for agreement with Air Canada, that it had terminated all of its employees and that the Board of Directors had resigned. It came to Court to request that a Chief Restructuring Officer be appointed to operate Aveos on its behalf in the course of the process.

On March 20, 2012, the Court appointed a CRO to act on Aveos' behalf. While the materials in support of this motion referred to a liquidation, the powers of the CRO are broader.

The IAMAW has hired legal counsel and has been working round the clock in the background towards a substantive outcome that will preserve jobs.

Many meetings and communications have taken place between the Union and its counsel and the Chief Restructuring Office; the Court appointed Monitor; various government representatives; Labour Canada; the federal pension regulator; Air Canada and a number of interested potential investors.

The IAMAW and the federal pension regulator, OSFI, have also been pressing Aveos to provide the information required to protect your pension rights and your rights in accordance with the collective agreement and the law.

The IAMAW is also engaged in discussions concerning the implementation of the Air Canada funded Separation Program that is part of the order of the Canada Industrial Relations Board separating the Air Canada and Aveos IAMAW bargaining units. The Union will shortly be forwarding this issue to the Arbitrator appointed under the Order, in accordance with its terms.

We will continue to provide further information as it becomes available.



Chuck Atkinson
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