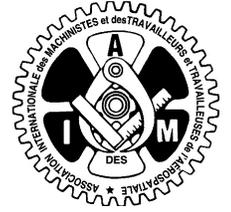


DISTRICT 140

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



INFORMATION UPDATE

July 6, 2012

Aveos Proceedings – General Update

All Court documents can be read on the Court Monitor's website at <http://cfcanada.fticonsulting.com/aveos/default.htm>.

Sales Process

On June 26, 2012, the Court Monitor and Aveos's Chief Restructuring Officer (CRO) issued reports on the sales process. Both documents can be read at the above-mentioned website under the "Reports" menu.

Airframe

Although 147 parties expressed interest in the sales process overall, no bids were received from bidders wanting to restart Aveos's airframe operation.

The CRO reported that:

“there was no party who was prepared to entertain a restart option; in fact, many of these parties indicated that the Airframe maintenance model in Canada has a limited role in a global context . . .”

The CRO therefore accepted bids from companies for specific groupings of airframe assets owned by Aveos.

On June 29, 2012, the Court issued orders approving the sale of the assets of the airframe division in lots to the following bidders for a combined total of \$10.845 million:

| | |
|---------------------------------------|---|
| AAR Aircraft Services Inc. | Lot 1: YUL Airbus 320 (tooling) Lot 13: YWG Airbus (tooling) |
| Premier Aviation Overhaul Center | Lot 3: YUL Boeing 767/777 (tooling) Lot 12: YWG ERJ 175/190 (tooling) Lot 14: YWG Equipment |
| Avianor Inc. | Lot 10: YUL NDT Testing (non CMC/EMC) (tooling) Lot 22: YYZ Wheels and Brakes (inventory, tooling and equipment) |
| Discovery Air Technical Services Inc. | Lot 11: YEG 737-200/300 (inventory, tooling and equipment) |
| Avmax Aviation Services Inc | Lot 21: Airframe Expendables (no YEG) (inventory) |

Assets that were not included in the lots sold to the above bidders (other than Engine and Component Maintenance) are to be sold by a liquidator (Maynards Industries) by public auction in September 2012 before Aveos vacates the Air Canada hangars in Montreal, Winnipeg and Vancouver.

Engine Maintenance Division

The Union is continuing to meet with the CRO of Aveos, potential investors and the Government of Quebec to work towards preserving jobs in the engine maintenance division.

Aveos and Air Canada have now agreed to a revised exclusive contract for the maintenance of Air Canada's CFM 56A and 56B engines through to 2017, which Aveos can assign to a buyer of the EMC, provided that the purchaser is on a list of parties acceptable to Air Canada.

Aveos has also put in place a backup liquidation arrangement.

On July 26, 2012, there will be a Court hearing to approve transactions in relation to the EMC.

Component Maintenance Division

Aveos and Air Canada have an agreement under which Air Canada has revised its RFP process (for identifying a new provider of component services) so that it is possible for the successful party to acquire the CMC business through the Aveos sales process. Companies competing for Air Canada's work are being told that work on approximately 1000 Air Canada components must be performed in Montreal at the Aveos CMC facility.

The Union is continuing to engage in numerous meetings with Aveos, potential purchasers and the Quebec Government to try to preserve jobs.

The final date for bids to be placed on the component maintenance operations is July 13, 2012.

Payroll Issues and Separation Program

The IAMAW and its legal counsel are continuing to work on a number of issues and disputes concerning the payroll and amounts owing to Aveos members.

Expenses

Aveos has now made payments to members for out-of-pocket expenses. Please continue to advise the Union if you have a dispute with Aveos about an expense claim, or have not received a response to an expense claim you have filed with Aveos. We are following up on these issues on behalf of members.

Excess Tax Deductions

A number of employees have raised questions about the taxes deducted from payments made by Aveos since it filed for CCAA. The Union has investigated this issue.

We are told that the payroll system used by Aveos calculates tax based on a fixed number of pay periods and an employee's annual salary. Payments made after the CCAA filing were processed by Aveos's payroll provider as "offcycle" payments, that is, payments outside the regular pay cycle. The system therefore viewed those payments as additional to the annual salary, which resulted in some additional tax deductions. In some provinces, this is reflected on paycheques in the form of an additional line item for provincial tax (e.g., "QC impôt revenu/non pér").

In a few cases, the processing of pay as additional to the annual salary resulted in an employee being viewed as being in a higher tax bracket, triggering more significant tax deductions. Aveos has advised that it has already remitted to the government the taxes deducted from these paycheques. When you file your personal income tax return, any taxes deducted in excess of what you owe the government will be returned as a tax refund. The Union has asked its legal counsel to look at whether there are any other steps that can be taken before that time.

Employment Insurance Problems

The Union learned that members who received a paycheque to correct Aveos's initial withholding of negative time bank and President's Week amounts were having EI benefits clawed back for the period of March 18 to 31, 2012

This happened because Aveos's payroll provider issued the correction cheques stating that the payment covered the period of March 18 to 31. In fact, the cheques covered work performed in the two weeks before March 17. The IAM's legal counsel and its National office have been working with Aveos and Service Canada to correct this problem. We understand that Service Canada is now reviewing its records and corrections should be made over the next few weeks.

Other Claims Against Aveos

As we previously advised, Aveos's payroll provider (NorthgateArinso Canada Inc.) filed a motion on May 22, 2012, contesting Aveos's decision to terminate its contract. The resulting disputes have delayed Aveos's ability to respond to requests from the Union and Service Canada for employee data and payroll information.

We are told that the Court Monitor's group is now creating its own database and that it expects to have a full accounting of the debts owed to the employees within the next three weeks.

The Union is internally compiling a list of outstanding grievances. However, if you are owed money by Aveos due to a grievance award that has not been paid, please let us know.

Once a claims process is in place, the Union will file claims on your behalf for all amounts owed under the collective agreement, though you will also be free to file your own claim if you so choose. The IAM will also pursue all legal avenues available to it to recover as much as possible of what you are owed. We will advise you of any steps you need to take at the relevant time.



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