



BULLETIN

TRANSPORTATION DISTRICT 140 DISTRICT DES TRANSPORTS 140

*International Association of Machinists and Aerospace Workers
Association internationale des machinistes et des travailleurs et travailleuses de l'aérospatiale*

ALL IAMAW MEMBERS

AVEOS / CCAA /- INFORMATION UPDATE

Update of the Proceedings and Information on a Distribution of Funds to 115 Union Members relating to LTD and Post-Retirement Benefits

Dear Brothers and Sisters:

Update

The Court proceedings following Aveos' closure and insolvency are still underway and your Union has continued throughout this long, slow process to actively represent the interests of all former Aveos members. To date the IAMAW has successfully worked to achieve the following for its members:

- Full payment of base wages and expense claims outstanding when Aveos closed its doors and entered insolvency protection;
- Repayment to members of amounts originally deducted from unpaid wages in relation to negative balances in the overtime bank;
- Payment to members of amounts covered by the \$2000 priority under insolvency legislation;
- Jobs for members at AJ Walter and Lockheed resulting from agreements between the Union, the government, the parties to the court proceedings and buyers that facilitated going concern sales of some of Aveos' operations. To date, AJW has hired approximately 100 of our members and Lockheed has hired approximately 50 of our Aveos members with expectations to ramp up this facility to 500 employees by the end of 2016;
- Protection of members' Air Canada pension entitlements;
- Payments under the Air Canada Separation Program to former Air Canada employees who transitioned from Air Canada to Aveos and who lost their jobs when Aveos closed. These payments totalled around \$55 million and were obtained under an order of the Canada Industrial Relations Board issued in the course of the extensive litigation between the Union and Air Canada/Aveos relating to the 2007 sale of Air Canada Technical Services to Aveos.

Employee Claims Process

Most recently your Union has filed proofs of claim in the Employee Claims Process on behalf of each of its members. This process is outlined in Bulletin 63, and is designed to allow the immediate payment of amounts covered by the federal government's Wage Earner Protection Program, once this program is triggered.

This Claim Process is still underway. The Union is continuing to work with Aveos and the Monitor to maximize members' recovery. The Monitor has not yet issued rulings on the claims that are subject to dispute.

As set out in previous Bulletins the Monitor will post accepted claims to its website, and will notify individually those members who have filed a claim that the Monitor has not accepted.

Once these notices are received there will be an appeal period of 21 days and the Union will issue further bulletins as necessary.

Motion for Authorization to Cancel a Letter of Credit and to Make Certain Distributions

On October 11, 2013 a motion was approved by the Court that will result in further payments totalling 4.37 million dollars to one hundred and fifteen (115) former Aveos members of the IAMAW.

These payments go towards some employee claims that would otherwise rank as unsecured claims, meaning that without this motion there would be no recovery through the CCAA process for these members.

VISIT OUR WEBSITE / VISITEZ NOTRE PAGE WEB – <http://www.iam140.ca>

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Who Will Receive Payments?

Long Term Disability (LTD) Group

The first group eligible to receive payments is fifteen (15) individuals whose long term disability payments were being covered directly by Aveos and whose payments ended as a result of Aveos' insolvency. These payments will be made to employees who:

- transferred their employment from Air Canada to Aveos on July 14, 2011;
- were receiving LTD benefits or had a pre-existing condition as of July 14, 2011;
- were still eligible to receive further LTD benefits on March 19, 2012;
- were cut off from further disability payments as a result of Aveos' insolvency.

If you are on the list of those who Air Canada and Aveos (with the assistance of their plan administrator, Sun Life) have identified as eligible to receive a distribution you will already have received a personal letter from the CRO giving you notice of the hearing and of the amount of the lump sum payment you are to receive.

This group is among the most vulnerable of our brothers and sisters and were among those hardest hit by Aveos' closure which saw them cut them off from established disability benefits, typically with no access to unemployment insurance benefits.

Post-Retirement Benefit Group

The second group who will receive payments are 100 individuals who were eligible to retire from Air Canada as at the transition date (July 14, 2011), but who did not do so. This group will receive a lump sum payment in relation to lost post-retirement benefits.

If you are on the list of those who Air Canada and Aveos have identified as eligible to receive a distribution you will have received a personal letter from the CRO giving you notice of the hearing and of the amount of the lump sum payment you are to receive.

What is the Explanation for These Payments?

These payments are being made available as a result of a complex contract between Air Canada and Aveos, known as the Pension Benefits Agreement (PBA).

The PBA is a contract that dates back to the 2007 sale of ACTS to Aveos. As part of the sale Air Canada agreed to make a series of payments to Aveos to cover some of the employee pension and benefit liabilities that were being transferred to Aveos. Air Canada's obligations to pay Aveos were secured by a "Letter of Credit" which will be cancelled once Air Canada meets its obligations under the PBA. For this reason the motion was called "Motion for Authorization to Cancel a Letter of Credit and to Make Certain Distributions".

Under the terms of the Letter of Credit, money paid to Aveos while it is insolvent is required to be paid to the relevant employee beneficiaries and not made available for distribution to other creditors of Aveos.

The PBA is not a contract with the IAMAW but the Union is familiar with its terms, since the document was key to discussions and agreements subsequent to the sale of ACTS.

How was it decided who would receive a payment and how much?

The PBA sets out how the principles for identifying those union employees for whom Air Canada is liable to make payments to Aveos. The Union could not change the terms of the contract, but was able to function as a watchdog in this process to help ensure that the proper groups were included in the distribution. Although we were not provided with the list of names of members to receive a distribution for post-retirement benefits we were able to secure an additional \$800,000 payment to an additional 47 members, as set out in the amended motion materials.

The PBA also sets out in detail the methods to be followed to calculate how much Air Canada has to pay Aveos in relation to each such employee. The calculations were carried out by an established actuarial firm, and confirmed by another.

We are advised that the Monitor hopes to have the payments under this order issued before the end of this year.

The Union will keep you advised as to further developments in these proceedings.

In Solidarity,



Fred Hospes, President and Directing General Chairperson
Transportation District 140, IAMAW