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July 8, 2009

Via Facsimile: (905) 671- 2114

Mr. Chuck Atkinson
International Association of Machinists & Aerospace Workers
District Lodge 140
Central Region
2580 Drew Road, Suite 203
Mississauga, ON L4T 3M5

Dear Mr. Atkinson:

Re: Member Questions re: Aveos

You have advised that certain members have raised questions concerning the Aveos agreement which was reached in January 2009 as it relates to the proposed TMOS collective agreement which is currently before the members for potential ratification.

This will confirm our opinion that the proposed TMOS collective agreement enhances the position of union members who may be affected by the Aveos transaction. The proposed TMOS collective agreement in no way undercuts or reduces any entitlements which were negotiated in the January 2009 Aveos agreement.

While the agreements are somewhat complex, lengthy, and not easily summarized it is important to recognize that the proposed collective agreement ensures that all members, whether or not they are working for the benefit of Aveos, will stay as Air Canada employees until the end of the 21 month extension period and will participate and accrue benefits in the Air Canada pension and benefit plans for the entire period.

It is also important to remember that, at the present time, there is only one employer and that is Air Canada. The bargaining unit may only be split if the CIRB agrees that this is appropriate. There is no need for the IAM to bring a common employer application at the moment because there is only one bargaining unit in effect for TMOS employees. While

it was anticipated in January that the companies would bring an application to split the unit, this has not occurred due to the deteriorating economic circumstances affecting the airline industry and the economy in general.

The proposed collective agreement makes it clear that no such application to split the unit will be made until Aveos has successfully adopted a viable plan to restructure its business. The IAM has successfully negotiated ongoing disclosure of the financial situation of Aveos and the terms of all agreements between Air Canada and Aveos until the close of the extension period.

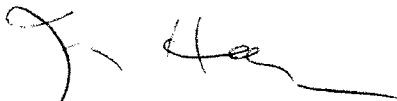
What this means is that no split of the unit can occur without the approval of the CIRB. The IAM has preserved its right to oppose any such application by the companies should the union not agree that Aveos is viable. Similarly the IAM and the CIRB will be in a position to consider the relevance of any future changes to the Air Canada/Aveos relationship. Such changes might alter our opinion as to the rights of the union and its members under the *Canada Labour Code* insofar as Aveos is concerned.

In short, there is no question that the proposed TMOS collective agreement does nothing but improve the position of IAM members from where we were before it was negotiated.

As you know, Chuck, these improvements and the others were not easily obtained from the company and reflected the determination of the negotiating committee to respond to concerns which had been expressed by the members.

Yours very truly,

CAVALLUZZO HAYES SHILTON
McINTYRE & CORNISH LLP



James Hayes
JH:sn