

LETTER OF UNDERSTANDING

between

Air Canada (« AC »)

and

ACTS Limited Partnership (« ACTS »)

and

International Association of Machinists and Aerospace Workers (the « Union »)

Subject: Sale of ACTS

THE PARTIES agree to the following:

1. It is in the best interest of the Parties and in the best interest of the IAM represented employees (the "Employees") to engage in meaningful discussion with respect to labour matters and consequences which may arise from the Sale of ACTS, including the protection of employee seniority, other conditions of employment in the Collective Agreement;
 2. More particularly, the Parties agree to carefully consider and address the consequences that the Sale of ACTS may have on the rights of the Union and the rights of the Employees as well as other labour relations considerations related thereto;
 3. The Parties are committed and will use their best efforts and in good faith attempt to reach an agreement with respect to the labour matters and the consequences described in the preceding paragraphs during the period of one hundred and eighty (180) days following the date of signature of the present Letter of Understanding or any mutually agreed upon extension thereof (the "Discussion Period");
 4. The Parties agree that during the Discussion Period:
 - a) AC and ACTS will continue their respective current operations, including the application of the current collective agreement, on a "business as usual" approach.
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- b) During the Discussion Period and the period outlined in paragraph 5 below, the Employees will remain employees of AC, will continue to participate and accrue benefits in the pension plan in which they currently participate, and no changes will be made to their pension plan(s) in relation to the Sale of ACTS;
 - c) No right or recourse of any nature whatsoever will be initiated by either of them with respect to the Sale of ACTS before any arbitrator, tribunal or board (judicial or quasi-judicial);
5. AC and ACTS agree to provide the Employees an appropriate amount of time to exercise the contractual rights they may have vis-à-vis AC as outlined in the Collective Agreement, including the right to retire as an AC employee. This period of time will be sixty (60) days following the date a final decision(s) is rendered with respect to the determination of the rights of the Parties, or anyone of them, arising from the Sale of ACTS or related to the consequences of the Sale of ACTS;
 6. The Union acknowledges that any obligations the Company may have under Article 20.09 to enter into negotiations with the Union can be met through discussions contemplated by this Letter of Understanding
 7. This Letter of Understanding is incorporated into the current collective agreement
 8. The continuation of existing complaints in front of the CIRB and the Federal Court of Appeal and proceedings taken to enforce this Letter of Understanding will not constitute a breach of paragraph 4(c).
 9. Nothing in the present Letter of Understanding shall be or can be construed as limiting in any way whatsoever the legal rights that the Parties have and may exercise after the end of the Discussion Period with respect to the Sale of ACTS.

IN WITNESS WHEREOF the Parties have executed this Agreement this 7th day of August 2007.

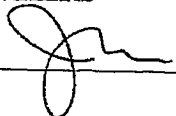
AIR CANADA

By: 

ACTS

By: 

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND AEROSPACE
WORKERS

By:  _____