

MEMORANDUM OF AGREEMENT

Between

Air Canada

and the

**International Association of Machinists
and Aerospace Workers (the "IAMAW")**

Whereas the parties' collective agreements expire on July 1, 2009, in relation to the Technical Maintenance and Operational Support Unit (the "TMOS Unit"), the Office and Clerical Unit (the "Clerical Unit") and the Finance Unit (the "Finance" Unit) (collectively the "Collective Agreements");

Whereas the parties acknowledge the need for Air Canada to access additional funds to improve its liquidity situation at the present time;

Whereas the parties understand the importance of Air Canada securing the investment of capital and the importance of labour stability to obtaining that investment;

Whereas the parties agree that the collective agreements with the IAMAW have already undergone restructuring and recognize the importance of protecting the terms and conditions of work, including pensions and other benefits of IAMAW members despite the current economic conditions;

Whereas the parties recognize that obtaining additional funds and investment is important to avoiding a restructuring of Air Canada in the context of a filing for protection under the *Companies' Creditors Arrangement Act* ("CCAA") and the desirability of doing so;

The parties have agreed as follows:

1. Subject only to the modifications set out in Appendix A, B, and C hereto, the parties will enter into collective agreements that will extend all the terms and conditions of the current Collective Agreements for a period of 21 months from the expiry of the current Collective Agreements (the "Extension Period").
2. For greater certainty, during the Extension Period, neither party to the Collective Agreements shall have the right to strike or lockout, as per the *Canada Labour Code*.
3. For further certainty, during the Extension Period there shall be no changes to the terms and conditions of the Collective Agreements including, without limitation (i) no wage rate increases other than those that may be contemplated by the existing collective agreements; (ii) no changes to pension benefit levels, nor (iii) any changes to group insurance coverage or benefits, except as may result from the application of paragraph 6.

4. In the event that the Company becomes subject to the *Companies' Creditors Arrangement Act* or the *Bankruptcy and Insolvency Act* or similar proceedings, while the Pension Memorandum of Understanding signed by the IAMAW is in effect, section 19 of the Pension Memorandum of Understanding shall apply, and, whether the Pension Memorandum of Understanding is in effect or not, there shall be no amendments to the collective agreement except on consent of the parties.
5. Nothing in paragraph 1 shall preclude either party from attempting to secure, through negotiations for the renewal of the Collective Agreements at the end of the Extension Period, changes to the Collective Agreements with retroactive effect from the commencement of the Extension Period.
6. If, in negotiating a renewal or extension to a collective agreement expiring in 2009 or during the Extension Period, any other Air Canada group negotiates an across the board improvement to wage rates, work rules, benefits (including medical, dental and life insurance and sickness and disability benefits) or other compensation to take effect during the Extension Period, the same improvement will be incorporated in the Collective Agreement, unless it is inapplicable, in which case other improvements of equal proportional value will be granted. This does not apply to any improvement whose cost is intended to be offset by cost reductions or productivity gains negotiated at the same time.
7. The Union will be permitted to review Air Canada's "Five Year Plan" of April 21, 2009, and shall be granted reasonable access to that document, subject to those conducting the review agreeing to the terms of a Non-disclosure Undertaking substantially in the form used for the Union-Management quarterly financial update meetings. Air Canada shall continue to provide quarterly financial updates in accordance with its practice.
8. Air Canada agrees that during the Extension Period it shall not sell its interest in Air Canada Cargo or Air Canada Ground Handling Services, provided this undertaking shall not apply to any sale or other disposition of those businesses pursuant to a lender requirement.
9. The Union will be granted access to a copy of the agreement reached in May 2009 concerning credit card processing financial arrangements, subject to Air Canada obtaining any consent for such disclosure from the relevant credit card processors, which Air Canada shall use reasonable efforts to obtain and each of the Union representatives who access such agreements having executed a Non-disclosure Undertaking acceptable to Air Canada and based on the terms of a Non-disclosure Undertaking substantially in the form used for the Union-Management quarterly financial update meetings.
10. This Memorandum of Agreement remains in full force and effect even if the Pension Memorandum of Understanding ceases to have effect or is not signed by the Union.

11. This Memorandum of Agreement will be subject to such approval procedures as each party determines to be required in the circumstances. Both parties commit to recommend and fully endorse the ratification of this Memorandum.
12. This Memorandum of Agreement shall not limit the parties' ability to agree to changes to the Collective Agreements and/or the working conditions of the employees represented by the IAMAW on matters and of the kind they usually consider during the life of a collective agreement and which typically take the form of documents ancillary to the Collective Agreement (such as Memorandums of Understanding, Memorandums of Agreement, Minutes of Settlement, and Letters of Understanding) once agreed upon.
13. For further clarity, the parties agree that the current profit sharing scheme, introduced in the 2003 – 2004 proceedings under the CCAA, shall continue during the Extension Period for all Collective Agreements.

Signed this ____ day of June, 2009 at _____

For Air Canada

**For International Association of
Machinists and Aerospace
Workers**

Scott Morey

Mike Ambler

Denis Boucher

Tony Didoshak

Paul Lefebvre

Appendix A – TMOS Unit

The parties agree as follows with respect to the TMOS Collective Agreement:

1. The wage rates and benefits of employees assigned to Small Bases will revert to mainline rates as of the first pay period following July 1, 2009, notwithstanding the March 1, 2005 Station Closure Grievance Award of Martin Teplitsky (“Small Base Award”). For greater certainty, Articles 9 and 10 of the Small Bases Memorandum of Agreement of May 12, 2005, continue to apply.
2. During the Extension Period, and without prejudice to the position a party may take, in any proceeding, on the application of art. 20.21 of the Collective Agreement, members of the IAMAW Air Canada TMOS bargaining unit will continue to perform the Jazz ground handling work in the stations where it is performed by bargaining unit members at June 30, 2009.
3. There will be no transition of Air Canada IAMAW members to Aveos Fleet Performance Inc. (“Aveos”) during the Extension Period. For clarity, this will not prevent Aveos and Air Canada from assigning employees to the positions they will hold in accordance with the selection process from taking place during the 90 day period immediately preceding the end of the Extension Period, (“the Implementation Period”).
4. The intention of the parties is to set timelines for the administrative steps to be followed under the Transition Agreement (being the Memorandum of Agreement signed by the Parties and Aveos on January 8, 2009 and its Appendix, three Schedules and Letter of Understanding (re: Transition Matters), Letter of Agreement (re: Technical Instructors), Letter of Agreement and related Letter of Clarification (re: Sub-contracting), and as modified and completed by the March 5, 2009, Award of Martin Teplitsky) that will allow for the implementation of that Agreement such that the Selection Closure Date will occur no later than 90 days before the close of the Extension Period. In this regard the parties agree that:
 - a. Air Canada and Aveos will not file their joint application pursuant to sections 18.1, 44, 45 and 46 of the *Canada Labour Code* with the Canada Industrial Relations Board (CIRB) until Aveos has successfully adopted a viable plan to restructure its business, and the specifics of that restructuring have been communicated, under the provisions of the agreed-to Non-disclosure Agreements, to the IAMAW leadership and their advisors. The statement of facts in and the exhibits to the joint application will be updated as necessary at that time, including by placing before the Board a copy of this Agreement, the restructuring plan and all current agreements between Aveos or affiliated companies and ACE, Air Canada, ACGHS and Air Canada Cargo, as set out in paragraph 16 of Appendix A to the Transition MOA. Air Canada and Aveos will also provide ongoing disclosure to the IAMAW leadership and their advisors concerning the financial situation of Aveos and the terms of all agreements between Air Canada and Aveos until the close of the Extension Period.

- b. A joint request will be made of the CIRB that it issue its decision no later than 164 days prior to the end of the Extension Period.
 - c. The Transition Date for IAMAW members transitioning to Aveos, as set out in the Transition Agreement will be the last day of the Extension Period.
 - d. The Selection Closure Date will not be before 90 days prior to the Implementation Period.
5. Until the commencement of the Implementation Period, the parties and Aveos agree to maintain the status quo concerning the employment of IAMAW members to perform work for the benefit of Aveos.
 6. Until the end of the Extension Period, Air Canada and Aveos will continue their respective current operations, including the application of the Collective Agreements on a “business as usual” approach, and all persons carrying out work within the scope of the Collective Agreements for the benefit of Aveos will remain employees of Air Canada, and will participate and accrue benefits in the Air Canada pension and benefit plans.
 7. IAMAW members subject to transition will continue to accrue Air Canada service and seniority until the Transition Date for all purposes. The parties agree that for the purposes of paragraphs III 3. and III 6. of the Transition MOA those “eligible to retire” will include those eligible to retire as at the Transition Date. For further clarity, employees transitioning to Aveos will accrue service for the purpose of determining eligibility for travel passes until December 31, 2011.
 8. Schedule 1 “Application of Air Canada Travel Privileges to Employees covered by the Air Canada/IAMAW Collective Agreements (TMOS and Clerical) who cease to be Air Canada Employees by reason of the transfer of operations to Aveos” will include the following to be inserted as a second paragraph to section B.3 “Category 3-5 to less than 15 years of service”:

-OR-

An allotment of three (3) C3/Y10 Air Canada Passes for each year of Company deemed service of the employee, per employee, spouse and each eligible dependent. The allotment can be used at any time until the allotment is completely used or upon the death of the employee.

And, the following shall be inserted as a second paragraph to section B.4 “Category 4 – Less than 5 years of service”:

-OR-

An allotment of three (3) C3/Y10 Air Canada Passes for each year of Company deemed service of the employee, to be used by the employee, per employee, spouse and each eligible dependent. The allotment can be used

at any time until the allotment is completely used or upon the death of the employee.

- 9. In the event that a potential investor into Aveos sets a requirement inconsistent with the timing set out in these sections, the IAMAW agrees to meet to discuss the issues at that time.
- 10. The parties have concluded agreements in principle on the issues listed below and will finalize language in memoranda of agreement or letters.

100-Hour Time Bank (LOU 27)
 Overtime Bypass
 Date Change 6.03.02.14 and 6.03.03.14
 Sick Part-Shift
 Voluntary Vacation Purchase Plan
 Boot Allowance
 De-icing in YEG and YYC
 Collective Agreement Review Committee
 Payment of Doctors' Notes
 Recovery of Overpayments
 Retirement Phase-in/Part-Time SA, CSCA, CSA
 Shop Committee Time Clearance (YOW and YEG)
 Permanent Management Assignment
 Time Credits for Training

Signed this ____ day of June, 2009 at _____

For Air Canada

**For International Association of
Machinists and Aerospace
Workers**

Scott Morey

Mike Ambler

Denis Boucher

Gary Sinclair

Kevin Pavelack

Tony Didoshak

Ken Shrubsole

Fred Hospes

Ted Gadsden

Georges Bujold

Gilles Chapdelaine

Steve Banks

Phil Brennan

Richard De Stéphano

Scott Gillis

John Gorman

Grant Hornsby

Ioannis Makris

Robert Manti

Peter McCarthy

Alexandre Pigeon

Stephen Prinz

Yves Richard

Stephan Turcsik

Appendix B – Finance Unit

The parties agree as follows with respect to the Finance Collective Agreement:

1. Employees will be provided Personal Care Days with pay as follows:

July 2 – December 31, 2009 – 1 day

January 1 – December 31, 2010 – 2 days

January 1- March 31, 2011 – 2 days

Scheduling of these days will be subject to management approval based on operational requirements, upon employee's request.

2. Vacation Purchase Plan of 40 hr (5 working days) per year will be offered for 2010 and 2011. **See Attachment A.**

3. Relief Duties and Temporary Assignments:

Delete: The second paragraph of article 8.04 .

4. Article 11 Leaves of Absence and Sick Leave

ADD 11.05.02 Appendix **See Attachment B.**

5. Article 12 Promotions, Transfers, Set-Backs or Demotions

Article 12.01.10 is modified as follows:

Employees promoted or assigned to management positions above or beyond the scope of this agreement on a permanent / temporary basis shall continue to accrue seniority within the classification for 26 weeks from the date of promotion. At the expiration of 26 weeks, the employee must return to his/her previous classification or forfeit all seniority privileges therein.

Article 12.03.02 (h) is modified as follows:

ADD: They will also be exempt from sub article (c)(i) within the first 45 days of the involuntary displacement.

6. Article 18 General Provisions

Article 18.02.02 Union – Management Headquarters Committee (UMHQ) is modified by replacing the word *periodically* with the word *quarterly*.

Article 18.02.03 is replaced by the following:

The dates of such meetings will be established by mutual agreement by November of the previous year, and decisions rendered at such meetings will be prepared and made available to all concerned.

ADD : Article 18.02.04 to read as follows:

A minimum of two shop committee members must be in attendance for UMHQ meetings.

Article 18.06 Orders in Writing

Article 18.06.01 is modified by replacing the word a with any, and the phrase local Union with shop committee office.

7. Company Policy – Dress Code will be amended for term of Collective Agreement Extension to permit “BLUE” jeans, these blue jeans must comply with the general intent of existing Company dress code policy.
8. Letter of Intent between both parties to deal with outstanding issues of Collective Agreement Bargaining. **See Attachment C.**
9. There is to be no transition of Air Canada IAMAW members to Aveos Fleet Performance Inc. (“Aveos”) during the Extension Period. Accordingly, for the purposes of Schedule 2, entitled "Air Canada Finance Employees", of the Transition Agreement (being the Memorandum of Agreement signed by the Parties and Aveos on January 8, 2009 and its Appendix, three Schedules and Letter of Understanding (re: Transition Matters), Letter of Agreement (re: Technical Instructors), Letter of Agreement and related Letter of Clarification (re: Sub-contracting) and as modified and completed by the March 5, 2009, Award of Martin Teplitsky), the Transition Date will not be before the last day of the Extension Period.
10. Employees transitioning to Aveos will accrue service for the purpose of determining eligibility for travel passes until December 31, 2011.
11. Schedule 1 “Application of Air Canada Travel Privileges to Employees covered by the Air Canada/IAMAW Collective Agreements (TMOS and Clerical) who cease to be Air Canada Employees by reason of the transfer of operations to Aveos” will include the following to be inserted as a second paragraph to section B.3 “Category 3-5 to less than 15 years of service”:

-OR-

An allotment of three (3) C3/Y10 Air Canada Passes for each year of Company deemed service of the employee, per employee, spouse and each eligible dependent. The allotment can be used at any time until the allotment is completely used or upon the death of the employee.

And, the following shall be inserted as a second paragraph to section B.4 “Category 4 – Less than 5 years of service”:

-OR-

An allotment of three (3) C3/Y10 Air Canada Passes for each year of Company deemed service of the employee, per employee, spouse and each eligible dependent. The allotment can be used at any time until the allotment is completely used or upon the death of the employee

Signed this ____ day of June, 2009 at _____

For Air Canada

Denis Boucher

Patricia Mccallum

Kevin Pavelack

**For International Association of
Machinists and Aerospace
Workers**

Tony Didoshak

Mike Ambler

Brenda Backé

Jackie Brennen

Mary Douglas

Monique Edwards

Sandra Patterson

FINANCE Attachment A.

**Memorandum of Agreement
Between
Air Canada
And the
International Association of
Machinists and Aerospace Workers - FINANCE
Subject: Vacation Purchase Plan (VPP)**

The parties have discussed and agreed to the following;

The Company will make available a VPP for the calendar year(s) 2010 and 2011 for all employees covered by the IAMAW – Finance.

The parties agree that, provided operational and organization requirements are met, eligible employees will be offered the opportunity to purchase an additional forty (40) hours of extra vacation; for clarity 5 work days; available to be scheduled in one week or daily increments. Each application is subject to approval by the Branch Head and Section Management subject to operational requirements of the applicant's work location.

Employees who wish to participate must apply, in writing, to their manager, with cc to Local Shop Committee, between November 1 – 15 of preceding year.

Applications will be reviewed and if approved, employees will be notified no later than December 1.

The overall cost of the purchase of 40 hours vacation is 2% of your annual basic pay in effect on December 1 of the year preceding. This amount will be deducted from your gross pay, starting with your first pay in January, in twenty-five (25) equal installments and one (1) payment of the remaining amount outstanding.

Should a statutory holiday fall during an employee's week of VPP, the statutory holiday will be taken as a day in lieu, immediately following the VPP week unless otherwise mutually agreed to locally by Company and employee, exceptions to be dealt with at Shop Committee level.

Should an employee's status change due to layoff/termination this would result in a full re-imburement or refund on the employees final pay.

Should an employee be absent from work due to long term illness, maternity leave, voluntary leave of absence etc. continued participation in the VPP will be dependent upon further approval from the corresponding operational manager.

Participation in the VPP may be canceled by management due to operational requirements. The purchased VPP amounts will be reconciled within two pay periods of the cancellation, with any VPP days that may have been used.

Note 1: If there are multiple applicants within a Section, approvals will be granted in

seniority order.

Note 2: VPP purchased through this program will be available to be selected after completion of the earned vacation bidding and approval process applicable to the same vacation year; based on operational requirements.

Note 3:

- In the event that an employee chooses to accept a transfer, change of status or change of classification, continued participation in the Vacation Purchase Program will be consistent with normal movement process.
- The same will be applicable to an employee returning from an extended absence from the workplace.
- On an annual basis, the Company will reconcile the cost of each VPP with the actual time off granted to each employee. The employee will be notified in advance if the reconciliation results in the employee owing money to the Company.

The parties accept this as a full and final settlement for all matters as it relates to this MOA June, 2009, however this does not preclude the parties from entering into discussions in relation to a possible VPP in future years.

This agreement is made without precedent or prejudice to any other position the parties may take in the future.

Signed this day the ____ of June, 2009.

For Air Canada :

Denis Boucher

Patricia McCallum

For IAMAW

Tony Didoshak

Mike Ambler

Brenda Backé

Jackie Brennen

Mary Douglas

Monique Edwards

Sandra Patterson

FINANCE Attachment B.**ADDENDUM TO SICK LEAVE POLICY**

Subject: Sick Leave Plan
(Publication 707. Chapter 5)

Recent negotiations have resulted in changes to the Sick Leave Plan applicable to IAMAW Finance members covered by the Collective Agreement.

This is to inform you that publication 707 will be revised to include the following:

For IAM&AW members who exceed three (3) occasions during an eighteen (18) month period the following program will apply.

ACCUMULATED SERVICE	Fourth occurrence	Fifth Occurrence	Sixth Occurrence	Seven Occurrence	Subsequent Occurrences
	After the employee has three (3) occurrences in an eighteen (18) months period.				
a) 6 – 36 months	3 working days	3 working days	3 working days	4 working days	5 working days
b) 3 – 5 years	2 working days	2 working days	3 working days	4 working days	5 working days
c) 5 years or more	1 working day	2 working days	3 working days	4 working days	5 working days

Note 1: The employee must be free of any sick leave absences for a minimum of six (6) months in order to exit from this special program and return to the normal waiting period.

Note 2: This does not include absences due to workplace injury, GDIP or chronic illness.

FINANCE Attachment C.

Letter of Intent

During the June, 2009 negotiation process the Company agreed to deal with outstanding language and other issues that could not be addressed due to constricted time frames.

The Company will meet locally with the Union to deal with these issues immediately. Should agreement not be reached or should there be a discrepancy regarding the subject matter, the Company and Union will expedite the issues to the 3rd Level. A 3rd Level meeting will be convened within two (2) weeks of the appeals.

Signed this day the ____ of June, 2009.

For Air Canada :

Denis Boucher

Patricia McCallum

For IAMAW

Tony Didoshak

Mike Ambler

Brenda Backé

Jackie Brennen

Mary Douglas

Monique Edwards

Sandra Patterson

Appendix C – Clerical Unit

The parties agree as follows with respect to the Clerical Collective Agreement:

1. Benefits for former ATS members, as addressed in the February 11, 2008, decision of Mr Teplitsky, shall continue for the duration of the Extension Period.
2. Within 30 days of ratification, the Company will provide to the three (3) Chief Stewards a list of all Band F (ATS) positions, indicating the names, location and job title of the incumbent employees. The parties will meet within 60 days thereafter to discuss whether identified positions belong in the bargaining unit, except any position excluded from the unit by CIRB Order 9072-U. Disagreements will be resolved by Arbitrator Teplitsky. It is further agreed that, in the event a position is determined to belong in the bargaining unit, no retroactive compensation or benefits shall be due. The costs of this committee shall be borne by the Company and the time clearance of this committee is subject to the approval of Labour Relations.
3. The parties will agree on language to formalize the practice of equalization for employees temporarily assigned to a position in an established shift pattern different from their own.

The parties agree to discuss and finalize a process to enable a senior employee, once a year, to access the preferred shift pattern in her department, provided she is qualified for the position.

4. The Company will make available for the calendar years 2010 and 2011 a Vacation Purchase Plan (“VPP”) on the same terms and conditions as under the 2008 VPP MOA (attached).
5. Air Canada affirms its commitment to Article 2, Article 27, LOU No. 4 and LOU No. 5 in the attached letter.
6. There will be no transition of Air Canada IAMAW members to Aveos Fleet Performance Inc. (“Aveos”) during the Extension Period. For clarity, this will not prevent Aveos and Air Canada from assigning employees to the positions they will hold in accordance with the selection process from taking place during the 90 day period immediately preceding the end of the Extension Period, (“the Implementation Period”).
7. The intention of the parties is to set timelines for the administrative steps to be followed under the Transition Agreement (being the Memorandum of Agreement signed by the Parties and Aveos on January 8, 2009 and its Appendix, three Schedules and Letter of Understanding (re: Transition Matters), Letter of Agreement (re: Technical Instructors), Letter of Agreement and related Letter of Clarification (re: Sub-contracting), and as modified and completed by the March 5, 2009, Award of Martin Teplitsky) that will allow for the implementation of that Agreement such that the Selection Closure Date will occur no later than 90 days before the close of the Extension Period. In this regard the parties agree that:

- a. Air Canada and Aveos will not file their joint application pursuant to sections 18.1, 44, 45 and 46 of the *Canada Labour Code* with the Canada Industrial Relations Board (CIRB) until Aveos has successfully adopted a viable plan to restructure its business, and the specifics of that restructuring have been communicated, under the provisions of the agreed-to Non-disclosure Agreements, to the IAMAW leadership and their advisors. The statement of facts in and the exhibits to the joint application will be updated as necessary at that time, including by placing before the Board a copy of this Agreement, the restructuring plan and all current agreements between Aveos or affiliated companies and ACE, Air Canada, ACGHS and Air Canada Cargo, as set out in paragraph 16 of Appendix A to the Transition MOA. Air Canada and Aveos will also provide ongoing disclosure to the IAMAW leadership and their advisors concerning the financial situation of Aveos and the terms of all agreements between Air Canada and Aveos until the close of the Extension Period.
 - b. A joint request will be made of the CIRB that it issue its decision no later than 164 days prior to the end of the Extension Period.
 - c. The Transition Date for IAMAW members transitioning to Aveos, as set out in the Transition Agreement will be the last day of the Extension Period.
 - d. The Selection Closure Date will not be before 90 days prior to the Implementation Period.
8. Until the commencement of the Implementation Period, the parties and Aveos agree to maintain the status quo concerning the employment of IAMAW members to perform work for the benefit of Aveos.
 9. Until the end of the Extension Period, Air Canada and Aveos will continue their respective current operations, including the application of the Collective Agreements on a “business as usual” approach, and all persons carrying out work within the scope of the Collective Agreements for the benefit of Aveos will remain employees of Air Canada, and will participate and accrue benefits in the Air Canada pension and benefit plans.
 10. IAMAW members subject to transition will continue to accrue Air Canada service and seniority until the Transition Date for all purposes. The parties agree that for the purposes of paragraphs III 3. and III 6. of the Transition MOA those “eligible to retire” will include those eligible to retire as at the Transition Date. For further clarity, employees transitioning to Aveos will accrue service for the purpose of determining eligibility for travel passes until December 31, 2011.
 11. Schedule 1 “Application of Air Canada Travel Privileges to Employees covered by the Air Canada/IAMAW Collective Agreements (TMOS and Clerical) who cease to be Air Canada Employees by reason of the transfer of operations to

Aveos” will include the following to be inserted as a second paragraph to section B.3 “Category 3-5 to less than 15 years of service”:

-OR-

An allotment of three (3) C3/Y10 Air Canada Passes for each year of Company deemed service of the employee, per employee, spouse and each eligible dependent. The allotment can be used at any time until the allotment is completely used or upon the death of the employee.

And, the following shall be inserted as a second paragraph to section B.4 “Category 4 – Less than 5 years of service”:

-OR-

An allotment of three (3) C3/Y10 Air Canada Passes for each year of Company deemed service of the employee, per employee, spouse and each eligible dependent. The allotment can be used at any time until the allotment is completely used or upon the death of the employee.

12. In the event that a potential investor into Aveos sets a requirement inconsistent with the timing set out in these sections, the IAMAW agrees to meet to discuss the issues at that time.

Signed this ____ day of June, 2009 at _____

For Air Canada

Scott Morey

Kevin Pavelack

Denis Boucher

**For International Association of
Machinists and Aerospace
Workers**

Paul Lefebvre

Rhonda MacLachlan

Frances Pion

Ron McKelvie

**Memorandum of Agreement
Between
Air Canada
And the
International Association of
Machinists and Aerospace Workers**

Subject: Vacation Purchase Plan (VPP)

The parties have discussed and agreed to the following;

The Company will make available a VPP for the calendar year 2008 for all employees covered by the IAMAW Clerical Collective Agreement as well as all ATS employees deemed to be unionized by the Canadian Industrial Relations Board decision of May 19, 2006.

The parties agree that, provided operational and organization requirements are met, eligible employees will be offered the opportunity to purchase an additional forty (40) hours of extra vacation. Each application is subject to approval by the Branch Head of the applicants work location.

Employees who wish to participate must apply, in writing, to their manager before October 31, 2007.

Applications will be reviewed and if approved, employees will be notified no later than December 10, 2007.

The overall cost of the purchase of forty (40) hours vacation is 2% of your annual basic pay in effect on December 1 of the year preceding. This amount will be deducted from your gross pay, starting with your first pay in January , in twenty-five (25) equal installments and one (1) payment of the remaining amount outstanding.

Should a statutory holiday fall during an employees week of VPP, the statutory holiday will be taken as a day in lieu immediately following the VPP week unless otherwise mutually agreed to locally.

Should an employees status change due to layoff/termination this would result in a full re-imburement or refund on the employees final pay.
Should an employee's status or work location change during the year, if they have not yet taken their week of VPP it would be subject to approval from the supervisor of the new work location. If the week of VPP had already been taken the normal deductions would continue.

Should an employee be absent from work due to long term illness, injury or maternity leave, etc..., it will be discussed between the Union and the Company for resolution.

Participation in the VPP may be canceled by management due to operational requirements. The purchased VPP amounts will be reconciled with any VPP hours that may have been used.

Note 1: If there are multiple applicants within a department, approvals will be granted in seniority order.

Note 2: Approved vacation purchased through this program will be available to be used during open slots in the vacation roster within the same vacation year.

The parties accept this as a full and final settlement for all matters as it relates to this issue in 2008, however this does not preclude the parties from entering into discussions in relation to a possible VPP in future years.

This agreement is made without precedent or prejudice to any other position the parties may take in the future.

Signed this day the ___ of October, 2007.

For Air Canada

Denis Boucher
Manager, Labour Relations

For the IAMAW

Laurie Ferguson Marsh
General Chairperson D/L 140

Lloyd Cahill
General Chairperson D/L 140

Frances Manhard
Bargaining Committee Representative

Rhonda MacLachlan
Bargaining Committee Representative

Frances Pion
Bargaining Committee Representative

June 8 , 2009

Mr. Paul LeFebvre
General Chairperson
IAMAW, District Lodge 140
2580 Drew Road, Suite 203
Mississauga, ON L4T 3M5

Dear Mr. LeFebvre,

Re: Article 2, Article 27, LOU No. 4 and LOU No. 5

This is to reaffirm the Company's commitment to the existing job security-related provisions of Article 2 (Scope of Agreement), Article 27 (Technological Change), LOU No. 4 (Contracting Out) and LOU No. 5 (Contracting In).

Sincerely,

Denis Boucher
Manager, Labour Relations