



February 6, 2004

TO: All the Parties on the Service List for the Air Canada CCAA Proceedings

RE: Air Canada Pension Plans

On February 5, 2004, Trinity Time Investments Ltd. presented a plan to Air Canada unions and management related to outstanding pension issues, which, in part, was based on Air Canada's October 27 proposal. OSFI understands the Trinity plan continues to seek relaxation of the funding rules in order to reach a solution.

OSFI had previously indicated on several occasions that a number of elements of Air Canada's October 27 proposal were unacceptable. In particular, OSFI has focussed on the adequacy of the funding proposal, protection in the case of future adverse developments affecting the company or the plan and the need for buy-in by all parties, if the funding is to be extended over a longer period than now required by regulations. Information available to OSFI at this point does not indicate how these issues would be dealt with to our satisfaction. I refer to our most recent letter to counsel for Trinity of February 4, our October 31 response to Air Canada and to information provided in meetings with the Monitor, Air Canada and other parties in December (and subsequently with Trinity) on a funding schedule acceptable to OSFI.

OSFI is not commenting on discussions between the parties on whether or not the plans should be restructured. Certain types of restructuring may require OSFI authorization under the legislation. However, any package that emerges from discussions between the various parties will have to be acceptable to OSFI as it relates to funding of the plans before OSFI can recommend to the government a change to the regulations.

OSFI is available to meet with representatives of the plan sponsor together with Trinity, plan beneficiary representatives and others.

Yours sincerely,

Nicholas Le Pan
Superintendent

cc: Anthony J. Devir, Osler, Hoskin & Harcourt
Michel Benoit, Osler, Hoskin & Harcourt
Serge Charbonneau, AON
John Baker, Air Canada
Monitor