



Office of the Superintendent of Financial Institutions Canada

Bureau du surintendant des institutions financières Canada

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www.osfi-bsif.gc.ca

VIA FACSIMILE: (514) 422-5609

PROTECTED B

Our File: P5100-A001-1

March 10, 2003

Ms. Susan Welscheid  
Vice President – People  
Centre Air Canada 1260  
C.P. 14000  
Succursale Aéroport  
Dorval (Québec)  
H4Y 1H4

This is Exhibit "A" referred to in the affidavit of KAREN MADONSON - GOSTANU sworn before me, this 22nd day of March, 2003.  
*[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

Dear Ms. Welscheid:

**Subject: Air Canada & CAIL Pension Plans  
Pension Benefits Standards Act, 1985 (PBSA)**

Thank you for meeting with us on March 6<sup>th</sup> and providing us with a better understanding of the current issues that Air Canada is dealing with in relation to its Air Canada and CAIL pension plans. The purpose of this letter is to summarize the issues that were discussed at this meeting. It is our intention over the next few weeks to formalize our position on these issues following which we will advise you of our intended course of action. As discussed at the meeting, we will be communicating directly with Ms. Lynn Loewen, Vice-President, Finance at Jazz to address the issues we have relating to the Jazz pension plans.

As you know, OSFI is concerned about the current solvency position of the Air Canada and CAIL pension plans and the possible effect that any future event could have on members' benefits. In light of this, OSFI is looking at all possible measures that could be taken now by Air Canada and OSFI to address these issues. As mentioned during the meeting, one area of significant concern is the current funding of these pension plans, and in particular, the continuation of contribution holidays by Air Canada for its defined benefit pension plans. We understand from Mr. Peterson's comments that the issue of contribution holidays will be discussed with the Pension Investment Committee of the Board of Directors sometime in June or July following the conclusion of union negotiations. We feel that this timeframe is too protracted and we will be looking to address this issue at a much earlier date.

Canada

Another issue discussed last Thursday was the transfer of commuted values for terminating members. Since we expect all of the defined benefit pension plans are currently underfunded on a solvency basis, we do not believe it is prudent or equitable for terminating members to receive 100% of their transfer value at this time. We ask that transfer values for terminating members not be paid until the next valuation report is prepared and filed with OSFI. We appreciate your concerns with how this action may be perceived by members and as agreed, we will discuss with Caroline Drouin how a transfer payment process should be structured so as to achieve the objective of "equity" while at the same time addressing your concerns. We do ask, however, that you not process any future transfer payments until we reach an agreement on such a process.


As mentioned during the meeting, OSFI and Air Canada are receiving enquiries from Air Canada pension plan members raising concerns about their pension plans and in particular their pension benefits. It is important that plan sponsors communicate information to plan members' about their pension plans in a timely and transparent manner. Members should also be aware of any material or substantial changes in the financial position of their pension plans and we would expect plan sponsors to provide this information to plan members. In this regard, one of the issues discussed was the Members' Annual Statement and the disclosure of the solvency ratio. It is our view that, in light of the significant change to the funded status of the plans since the last valuation reports, the disclosure of the solvency ratio arising from that valuation may no longer be appropriate and in fact would be misleading. We have asked you to consider how best to communicate the current funded position of these pension plans to the members. We would appreciate receiving your communication plans in this regard as soon as possible. As mentioned during the meeting, we would appreciate being provided with copies of the communication being provided to plan members.

Air Canada is required to prepare valuation reports for several pension plans as at December 2002 or January 2003. Although not discussed in detail at the meeting, we wish to advise that we are currently reviewing the valuation report preparation dates for the remaining pension plans, since the current level of funding required for these pension plans may no longer be sufficient to prevent a further deterioration in the plans' financial position on a solvency basis.

As discussed, we will be requesting additional information from Air Canada on its pension plans in the near future, and we will be writing to Ms. Caroline Drouin in a separate letter on this matter. To assist us in monitoring the Air Canada pension plans, we would appreciate being kept informed of any new events that may affect any pension plan sponsored by Air Canada and registered under the PBSA.

Should you wish to talk to us about any of the issues mentioned in our letter, please contact us, and we would be pleased to arrange a conference call or a meeting, if necessary, to discuss these items with you.

Yours truly,



Karen Badgerow-Croteau  
Managing Director

cc: Mr. Rob Peterson, Air Canada  
Ms. Caroline Drouin, Air Canada  
Mr. John Doran, OSFI



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VIA FACSIMILE: (514) 422-5636

PROTECTED B

Our Files: P5100-A1-1  
A58, A190, C58, C241, C248  
C249, C250, C251, C286

March 13, 2003

Ms Caroline Drouin  
Director, Pension & Employee Benefits  
Air Canada  
Air Canada Centre  
P.O. Box 14000, Station Airport  
Dorval, Quebec  
H4Y 1H4

This is Exhibit "13" referred to in the affidavit of ~~KAREN DANIELSON-GROTON U~~ sworn before me, this 22nd day of ~~March~~ 2003. *[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

Dear Ms Drouin:

**Subject: Air Canada and Canadian Airlines International Ltd (CAIL)  
Pension Plans (the Plans)  
Pension Benefits Standards Act, 1985 (PBSA)**

We are writing to confirm our request for additional information as we discussed during the March 6<sup>th</sup> meeting between OSFI and Air Canada. In order to monitor the financial position of the Plans and the performance of the pension funds more frequently, we are asking for the following documents and information on each Plan. For your reference, we have attached a list of the Plans.

1. Statement of Investment Policy and Procedures

We request that you provide us with the current Statement of Investment Policies and Procedures (SIP & P) that has been adopted for each plan, and future updates as they are made.

2. List of Assets

To enable us to monitor the investments for the Plans more frequently, we ask that you provide us with a list of assets held by each plan:

- as at December 31, 2002 or at a more current date if available, and
- on a monthly basis thereafter.

Would you also please advise with whom we should communicate to obtain monthly updates on the performance of the pension funds for each pension plan.

Canada

3. Remittances of Contributions

Please confirm the name of the custodian for the pension fund in respect of each plan, and the address, fax number, telephone number and name of the contact person. We will be communicating with the custodians on a regular basis, confirming the remittance of contributions.

4. Filing Date of Valuation Reports

We confirm that valuation reports that are filed with OSFI are to be prepared as at a plan year-end, unless OSFI has approved an alternate date. For more information on this subject, please refer to PBSA Update Issue Number 18 and the Frequently Asked Questions posted on OSFI's web site @[www.osfi-bsif.gc.ca](http://www.osfi-bsif.gc.ca).

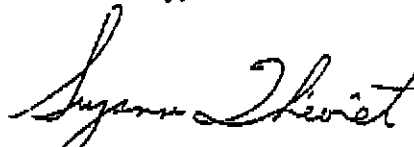
As you know, the CAIL pension plans have been transferred to my portfolio. We are reviewing your letter dated February 26, 2003 concerning the Pension Plan for Pilots, as represented by the Air Line Pilots Association International, of Canadian Airlines International Ltd. We will be contacting you to discuss the proposed plan amendment.

In our letter dated March 10<sup>th</sup> addressed to Ms. Susan Welsheid, we requested that transfer values for terminating members of the Plans not be paid until the next valuation report is prepared and filed with OSFI. Would you confirm that Air Canada has ceased the payment of transfer values for terminating plan members. If you would like to propose an alternate payment process, please contact us.

As requested, we do ask that you inform us promptly of new developments or significant events that could affect any of the plans, and of any communication that is being provided to members relating to their pension plans.

I would like to thank you for your cooperation. Should you require further information or clarification, please do not hesitate to contact me, or my manager Linda Maher at (613) 990-7857.

Yours truly,



Ms Suzanne Théorêt  
Senior Supervisor  
Private Pension Plans Division  
Telephone: 613-990-3599/ Fax: 613-990-7394  
e-mail : [Suzanne.Theoret@osfi-bsif.gc.ca](mailto:Suzanne.Theoret@osfi-bsif.gc.ca)

ATTACHMENT

LIST OF AIR CANADA AND CAIL DEFINED BENEFIT AND COMBINATION PENSION PLANS

	Registration Number	Our file	Air Canada Inc.
1.	55345	A1	Air Canada Pension Plan
2.	55755	A58	Air Canada Executive Pension Plan
3.	57025	A190	Air Canada Pension Plan Pilots

	Registration Number	Our file	Canadian Airlines International Ltd.
1.	55391	C58	Pension Plan for Technical Services and Clerical Employees
2.	55067	C241	Pension Plan for CAW Members Employed by Canadian Airlines International Ltd.
3.	55248	C248	Pension Plan for Management Employees of Canadian Airlines International Ltd.
4.	55519	C249	Pension Plan for Cabin Personnel
5.	55526	C250	Pension Plan for Pilots of Canadian Airlines International Ltd.
6.	55839	C251	Pension Plan for Executives of CAIL
7.	55044	C286	Pension Plan for Dispatch Employees

P-5100

A1-3.

This is Exhibit "C" referred to in the affidavit of KAREN MADSEN-CROFT sworn before me, this 22nd day of July 2003.  
[Signature]  
A COMMISSIONER FOR TAKING AFFIDAVITS

# Air Canada Pension Plan

(Amended and restated text as at January 1, 1998)

CERTIFIED to be a true and complete copy of the text of the Air Canada Pension Plan as approved by Lamar Durrett, President and Chief Executive Officer of Air Canada, under authority delegated to him by the Board of Directors of Air Canada on the 18th day of February 1998.

Oct 1 / 98  
Date

[Signature]  
Signature

- 4.2 The Company shall remit to the trust fund any member contributions not later than 30 days after the end of the month in respect of which such contributions were deducted from pay or otherwise paid directly.
- 4.3 A member who is a management employee shall not be required to contribute in each calendar year more than \$3,500 under Section 4.1 a).
- 4.4 Contributions under Section 4.1 a) shall be made by a member until the end of the pay period in which his 35th year of allowable service is completed or until his date of retirement, death or termination of employment, whichever first occurs.
- 4.5 The Company shall ensure that the funding of the plan at all times meets the standards for solvency prescribed under the Act.

No contribution shall be made by the Company to the Trust fund, in accordance with this paragraph unless it is an eligible contribution as defined by the Income Tax Act and is permitted by the Income Tax Act.



15100 2011 000071

RC changes

OK PD 16.5.94

AMENDMENT NO. 2  
TO THE  
PENSION PLAN FOR CABIN PERSONNEL,  
AS REPRESENTED BY THE  
CANADIAN UNION OF PUBLIC EMPLOYEES,  
OF CANADIAN AIRLINES INTERNATIONAL LTD.

The text of the Pension Plan for Cabin Personnel, as Represented by the Canadian Union of Public Employees, of Canadian Airlines International Ltd. is hereby amended, effective January 1, 1992, as follows:

ARTICLE 1 - INTRODUCTION

Delete Section 1.02 and substitute therefor the following:

1.02 The purpose of the Plan is to provide certain lifetime retirement and related benefits for eligible Employees of the Company who become Members of the Plan on or after the Effective Date.

ARTICLE 2 - CONSTRUCTION, INTERPRETATION AND DEFINITIONS

Delete Section 2.21 and substitute therefor the following:

2.21 "Earnings" means regular salary or wages including overtime, onboard commissions, general holiday pay, vacation pay and shift differentials, but excluding all other allowances, paid to the Member by the Company or a Former Company.

DM

If the amount to be transferred exceeds the maximum transferrable amount determined in accordance with this paragraph (b), the excess shall be paid to the Member in cash or remain in the Fund to provide a retirement income to the Member in accordance with the Applicable Pension Laws and as permitted under the Revenue Rules.

*add 11.05 (c) unblocking Rev Cda mat*

ARTICLE 12 - COMPANY CONTRIBUTIONS

Delete Section 12.01 and substitute therefor the following:

12.01 Company Contributions

The Company shall contribute to the Fund from time to time such amounts as may be adequate to enable the Fund in accordance with such tests and standards for solvency as are prescribed by the Applicable Pension Laws to provide for payment of all benefits required to be paid under the terms of the Plan. Notwithstanding the foregoing, contributions made to the Plan on or after January 1, 1991 by the Company shall only be made if they are eligible contributions in accordance with the Revenue Rules.

Delete Section 12.02 and substitute therefor the following:

12.02 Excess Contributions

Subject to the Applicable Pension Laws, any amount which the Company contributed to the Fund, or a portion thereof, which was contributed in accordance with the last-filed cost certificate and such Company contribution pursuant to the Applicable Pension Laws was subsequently discovered to be non-permissible or non-tax-deductible, pursuant to the Revenue Rules, based on the cost certificate of the next actuarial valuation, may, to the extent allowed by and subject to any conditions or approval procedures under the Applicable Pension Laws and the Revenue Rules, be returned to

15700 - 2000 -

OK PD 16.3.94

RC changes

AMENDMENT NO. 2  
 TO THE  
 PENSION PLAN FOR DISPATCH EMPLOYEES,  
 AS REPRESENTED BY  
 THE CANADIAN AIRLINE DISPATCHERS ASSOCIATION,  
 OF CANADIAN AIRLINES INTERNATIONAL LTD.

The text of the Pension Plan for Dispatch Employees, as Represented by the Canadian Airline Dispatchers Association, of Canadian Airlines International Ltd. is hereby amended, effective January 1, 1992, as follows:

ARTICLE 1 - INTRODUCTION

Delete Section 1.02 and substitute therefor the following:

1.02 The purpose of the Plan is to provide certain lifetime retirement and related benefits for eligible Employees of the Company who become Members of the Plan on or after January 1, 1991. The terms and conditions of the Former Plans applied to Dispatch Employees from the Effective Date to December 31, 1990.

Delete Section 1.03 and substitute therefor the following:

1.03 The plan shall be applicable to eligible Employees who are in the active employ of Company, or who are on a leave of absence, on and after January 1, 1991 and who become Members of the Plan. A Member who is on Disability on January 1, 1991 shall continue to accumulate benefits in accordance with the terms of the applicable Former Plan or the Wardair Plan as were in effect on December 31, 1990. Benefits in respect of former members and pensioners whose employment ceased prior to January 1, 1991 shall be determined in accordance with the terms of the applicable Former Plan or the Wardair Plan at the time of such cessation of employment. Employees who were subject to the terms of Former Plan C on January 1, 1991 were eligible to elect to remain subject to the terms of Former Plan C pursuant to paragraph 3.02(a). No members of Former Plan C elected to remain subject to the terms of Former Plan C.

new

For non-integral ages before Age 65, the appropriate factor shall be determined on an interpolated basis.

If the amount to be transferred exceeds the maximum transferrable amount determined in accordance with this paragraph (b), the excess shall be paid to the Member in cash or remain in the Fund to provide a retirement income to the Member in accordance with the Applicable Pension Laws and as permitted under the Revenue Rules.

ARTICLE 12 - COMPANY CONTRIBUTIONS

Delete Section 12.01 and substitute therefor the following:

12.01 Company Contributions

The Company shall contribute to the Fund such amounts as are recommended by the Actuary to properly fund the benefits under the Plan. The Company shall contribute such amounts as are necessary to provide for the benefits accruing in that year and to fund any unfunded liability and any solvency deficiency in accordance with the Applicable Pension Laws. Company contributions shall be remitted to the Fund on a quarterly basis within 30 days after the end of each calendar quarter. The liability of the Company at any time shall be limited to such contributions as are required at that time in accordance with the Applicable Pension Laws. Notwithstanding the foregoing, contributions made to the Plan on or after January 1, 1991 by the Company shall only be made if they are eligible contributions in accordance with the Revenue Rules.

COMPANY CONTRIBUTIONS

The Company contributes the additional money necessary to finance the benefits the Plan promises to members. Company contributions vary from year to year, depending on the financial condition of the Plan. Our pension consultants review the Plan's assets and liabilities regularly to determine the required level of Company contributions.

In any case, the Company will finance at least 50% of the value of the pension you earn after January 1, 1987. If you contribute more than 50% of the amount needed to finance your pension, your excess contributions will provide you with additional pension benefits when you leave the Company.

The Plan also ensures that the value of all the pension payments you or your beneficiary receive will never be less than your accumulated contributions with interest to the date you leave Canadian Airlines.

*pension plan  
for*

CALDA Members

Employed by  
Canadian Airlines International



Canadian

**PENSION PLAN FOR DISPATCH EMPLOYEES,  
AS REPRESENTED BY THE CANADIAN AIRLINE DISPATCHERS ASSOCIATION,  
OF CANADIAN AIRLINES INTERNATIONAL LTD.**

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(Effective January 1, 1988,  
Amended and Restated January 1, 1991)

January, 1992

*Reviewed & dk.  
RCH*

ARTICLE 13

FUND

13.01 Fund

- (a) The benefits provided under the Plan shall be payable from a Fund established for the purposes of the Plan under which all contributions and investment earnings are held to pay such benefits.
- (b) The Company shall be responsible for the selection of the Trustees and the Custodians. The Fund or a portion thereof shall be maintained and administered by the Trustees and/or Custodians in accordance with the terms of a Trust Agreement and/or Custodial Agreement entered into between the Company and the Trustees and/or Custodians. The Company and the Trustees and/or Custodians may agree to amend the form and the terms of the Trust Agreement and/or Custodial Agreement at any time. The Company may further appoint organizations licensed to provide investment management services to manage the investment of any portion of the Fund. The Company may replace any Trustee, Custodian or investment manager at any time, in accordance with the terms of any applicable agreement or contract. The Company may establish and maintain a master trust consisting of the assets of the Plan and the assets of other registered pension plans sponsored by the Company.
- (c) Subject to the Applicable Pension Laws, the benefits provided under the Plan and payable hereunder shall only be paid to the extent that they are provided for by the assets held under the Fund, and no liability or obligation to make any contributions thereto or otherwise shall be imposed upon the Company other than in accordance with Section 12.01.

P5700 - C249- 3

RC changes

OK PD 16.3.94

AMENDMENT NO. 2  
TO THE  
PENSION PLAN FOR CABIN PERSONNEL,  
AS REPRESENTED BY THE  
CANADIAN UNION OF PUBLIC EMPLOYEES,  
OF CANADIAN AIRLINES INTERNATIONAL LTD.

The text of the Pension Plan for Cabin Personnel, as Represented by the Canadian Union of Public Employees, of Canadian Airlines International Ltd. is hereby amended, effective January 1, 1992, as follows:

ARTICLE 1 - INTRODUCTION

Delete Section 1.02 and substitute therefor the following:

1.02 The purpose of the Plan is to provide certain lifetime retirement and related benefits for eligible Employees of the Company who become Members of the Plan on or after the Effective Date.

ARTICLE 2 - CONSTRUCTION, INTERPRETATION AND DEFINITIONS

Delete Section 2.21 and substitute therefor the following:

2.21 "Earnings" means regular salary or wages including overtime, onboard commissions, general holiday pay, vacation pay and shift differentials, but excluding all other allowances, paid to the Member by the Company or a Former Company.

Am 3



If the amount to be transferred exceeds the maximum transferrable amount determined in accordance with this paragraph (b), the excess shall be paid to the Member in cash or remain in the Fund to provide a retirement income to the Member in accordance with the Applicable Pension Laws and as permitted under the Revenue Rules.

*add 11.05 (c) unlocking Rev Rdo max*

ARTICLE 12 - COMPANY CONTRIBUTIONS

Delete Section 12.01 and substitute therefor the following:

12.01 Company Contributions

The Company shall contribute to the Fund from time to time such amounts as may be adequate to enable the Fund in accordance with such tests and standards for solvency as are prescribed by the Applicable Pension Laws to provide for payment of all benefits required to be paid under the terms of the Plan. Notwithstanding the foregoing, contributions made to the Plan on or after January 1, 1991 by the Company shall only be made if they are eligible contributions in accordance with the Revenue Rules.

Delete Section 12.02 and substitute therefor the following:

12.02 Excess Contributions

Subject to the Applicable Pension Laws, any amount which the Company contributed to the Fund, or a portion thereof, which was contributed in accordance with the last-filed cost certificate and such Company contribution pursuant to the Applicable Pension Laws was subsequently discovered to be non-permissible or non-tax-deductible, pursuant to the Revenue Rules, based on the cost certificate of the next actuarial valuation, may, to the extent allowed by and subject to any conditions or approval procedures under the Applicable Pension Laws and the Revenue Rules, be returned to

ARTICLE III - CONTRIBUTIONS

Delete Section 2 of Article III and substitute therefor the following:

2. Company Contributions

The Company shall contribute to the Plan such amounts as recommended by the Actuary to properly fund the benefits under the Plan. Current service benefits shall be funded and any initial unfunded liabilities and solvency deficiencies shall be amortized in accordance with the Act.

The company recognizes its responsibility to guarantee the pension benefits, as defined in Article VI, which have accrued to Members, Disabled Members, Inactive Members and Pensioners. Should the Actuary at any time advise that the level of contributions to the Plan is not adequate to provide the benefits defined by the Plan, the Company contributions will be increased to the extent necessary to fund the Plan in a manner acceptable to the regulatory authorities and in accordance with accepted actuarial practices.

Notwithstanding the foregoing the following shall apply:

- (a) Company contributions shall not be less than the amounts required pursuant to the Act.
- (b) Company contributions made to the Plan on or after January 1, 1991 shall only be made if they are eligible contributions in accordance with the Income Tax Act.

Company contributions shall be remitted to the Fund in equal installments not less frequently than quarterly, and not later than 30 days after the end of the quarter in respect of which an amount is paid.

Dec 16, 94

look for copy of upgrades on 1.1.99

OK PD 14/3/95

AMENDMENT NO. 6  
TO THE  
PENSION PLAN FOR PILOTS,  
AS REPRESENTED BY THE  
CANADIAN AIR LINE PILOTS ASSOCIATION,  
OF CANADIAN AIRLINES INTERNATIONAL LTD.

The text of the Pension Plan for Pilots, as Represented by the Canadian Air Line Pilots Association, of Canadian Airlines International Ltd. is hereby amended, effective January 1, 1994, as follows:

ARTICLE I - DEFINITIONS

Delete the definition of Continuous Service and substitute therefor the following:

"Continuous Service" means the period of an Employee's continuous employment as a Pilot with the Company and a Former Company, and in respect of a Member who became a member of a Former Plan prior to becoming a Pilot the period of such Employee's continuous employment with the Company and a Former Company, effective from his Service Date, subject to Article IV, and, for purposes of Section 3 of Article IV, such Employee's continuous employment with the Company and a Former Company prior to his Service Date as agreed to by the Company and the Association.

Add the following paragraph as paragraph (iii) of the definition of Credited Interest:

(iii) in respect of Member contributions made for purposes of Section 3 of Article IV, the rate that is used to determine the cost factors shown in the table in such Section 3 of Article IV.

see letter dated May 5/97  
possible reductions in benefits

IV 3(g)  
+  
XII  
MK

OK  
PD  
15.3.94

AMENDMENT NO. 5  
TO THE  
PENSION PLAN FOR  
TECHNICAL SERVICES AND CLERICAL EMPLOYEES,  
AS REPRESENTED BY THE INTERNATIONAL ASSOCIATION OF  
MACHINISTS AND AEROSPACE WORKERS,  
OF CANADIAN AIRLINES INTERNATIONAL LTD.

The text of the Pension Plan for Technical Services and Clerical Employees, as Represented by the International Association of Machinists and Aerospace Workers, of Canadian Airlines International Ltd. is hereby amended, effective January 1, 1992, as follows:

*Changes*

ARTICLE 1 - INTRODUCTION

Delete Section 1.02 and substitute therefor the following:

1.02 The purpose of the Plan is to provide certain lifetime retirement and related benefits for eligible Employees of the Company who become Members of the Plan on or after the Effective Date.

ARTICLE 2 - CONSTRUCTION, INTERPRETATION AND DEFINITIONS

Delete Section 2.23 and substitute therefor the following:

2.23 "Earnings" means regular salary or wages including general holiday pay, paid leave of absence, vacation pay, shift differentials, license pay, runup pay and longevity pay, but excluding overtime and all special allowances, paid to the Member by the Company or a Former Company.

AM 6

If the amount to be transferred exceeds the maximum transferrable amount determined in accordance with this paragraph (b), the excess shall be paid to the Member in cash or remain in the Fund to provide a retirement income to the Member in accordance with the Applicable Pension Laws and as permitted under the Revenue Rules.

ARTICLE 12 - COMPANY CONTRIBUTIONS

Delete Section 12.01 and substitute therefor the following:

12.01 Company Contributions

The Company shall contribute to the Fund such amounts as are recommended by the Actuary to properly fund the benefits under the Plan. The Company shall contribute such amounts as are necessary to provide for the benefits accruing in that year and to fund any unfunded liability and any solvency deficiency in accordance with the Applicable Pension Laws. Company contributions shall be remitted to the Fund on a quarterly basis within 30 days after the end of each calendar quarter. The liability of the Company at any time shall be limited to such contributions as are required at that time in accordance with the Applicable Pension Laws. Notwithstanding the foregoing, contributions made to the Plan on or after January 1, 1991 by the Company shall only be made if they are eligible contributions in accordance with the Revenue Rules.

Delete Section 12.02 and substitute therefor the following:

12.02 Excess Contributions

Subject to the Applicable Pension Laws, any amount which the Company contributed to the Fund, or a portion thereof, which was contributed in accordance with the last-filed cost certificate and such Company contribution pursuant to the Applicable Pension Laws was subsequently discovered to be non-permissible or non-tax-deductible,

ENTERED BY  
D. GAGNON  
FEB - 1 2002

P-5100 A190-3


# Air Canada Pension Plan - Pilots

Effective January 1, 1998

Including modifications required under Section 26.04  
of the 1998 collective agreement

CERTIFIED to be a true and complete copy of the text of the Air Canada Pension  
Plan - Pilots

Sept 14/01  
Date

  
Signature  
Vice President and Corporate Secretary  
Vice-président et secrétaire général

- 4.4 Contributions under Section 4.1 a) shall be made by a Member until the end of the pay period in which his 35th year of Allowable Service is completed or until his date of retirement, death or Termination of Employment, whichever first occurs.
  
- 4.5 The Company shall ensure that the funding of the Plan at all times meets the standards for solvency prescribed under the Act.

No contribution shall be made by the Company to the Trust Fund, in accordance with this paragraph unless it is an eligible contribution as defined by the Income Tax Act and is permitted by the Income Tax Act.

## Section 14 - Administration of the Plan

- 14.1 For purposes of the Act, the Company is the Administrator of the Plan.
- 14.2 At the direction of the Company, the Actuary shall make a valuation of the assets and liabilities of the Plan not less frequently than every third Year or as may be required under the Act.
- 14.3 The investments of the Trust Fund shall be made in accordance with the Act and Regulations thereunder.
- 14.4 a) An Employee who becomes a Member of either the Air Canada Executive Pension Plan or the Air Canada Pension Plan, as applicable, except for an Employee who is Grounded and accepts other employment with the Company under Section 5.4 c) shall have the value of all benefits accrued to him in this Plan as of the date of joining either the Air Canada Executive Pension Plan or the Air Canada Pension Plan, as applicable, transferred to either the Air Canada Executive Pension Plan or to the Air Canada Pension Plan, as applicable, as determined by the Company on the advice of the Actuary.
- b) An Employee who is Grounded and becomes a Member of the Air Canada Pension Plan as a result of accepting other employment with the Company under Section 5.4 c) shall retain all benefits accrued to him in this Plan as of the date of joining the Air Canada Pension Plan, as applicable.
- 14.5 The Company may exercise all the powers granted to it under the Trust Agreement including the power to appoint a successor Trustee and the power to appoint an Investment Counsel as provided in said agreement.



PENSION PLAN FOR MANAGEMENT EMPLOYEES  
OF CANADIAN AIRLINES INTERNATIONAL LTD.

(Restated effective January 1, 1988)

May 1992

ARTICLE 12  
COMPANY CONTRIBUTIONS

12.01 Company Contributions

AM 3

Based on the amounts estimated by the Actuary and subject to Section 12.02, the Company shall contribute to the Fund, on a quarterly basis within 30 days after the end of each calendar quarter, such amounts as are necessary to provide for the benefits accruing in that year and to fund any unfunded liability and any solvency deficiency in accordance with the Applicable Pension Laws. Subject to the Applicable Pension Laws, the liability of the Company at any time shall be limited to such contributions as are required at that time in accordance with the Applicable Pension Laws.

*contributions will be made out in compliance with RC rules.*

12.02 Actuarial Surplus

Subject to the Applicable Pension Laws, any actuarial surplus as determined by the Actuary, or a portion thereof, may, at the discretion of the Company, be used to reduce the Company contributions otherwise required under the Plan or may, to the extent allowed by and subject to any conditions or approval procedures under the Applicable Pension Laws and the Revenue Rules, be returned to the Company.

12.03 Excess Contributions

AM 3

Subject to the Applicable Pension Laws, any amount which the Company contributed to the Fund, or a portion thereof, which is not required under the Plan or was contributed in error, as determined by the Company, or was contributed in accordance with the last-filed cost certificate which was superseded by a cost certificate based on a subsequent actuarial valuation, may, to the extent allowed by and subject to any conditions or approval procedures under the Applicable Pension Laws and the Revenue Rules, be returned to the Company.

ARTICLE 13

FUND

13.01 Fund

- (a) The benefits provided under the Plan shall be payable from a Fund established for the purposes of the Plan under which all contributions and investment earnings are held to pay such benefits.
- (b) The Company shall be responsible for the selection of the Funding Agencies. The Fund or a portion thereof shall be maintained and administered by a Funding Agency in accordance with the terms of a Funding Agreement entered into between the Company and the Funding Agency. The Company and the Funding Agency may agree to amend the form and the terms of the Funding Agreement at any time. The Company may further appoint organizations licensed to provide investment management services to manage the investment of any portion of the Fund. The Company may replace any Funding Agency or investment manager at any time, in accordance with the terms of any applicable agreement or contract. The Company may establish and maintain a master trust consisting of the assets of the Plan and the assets of other registered pension plans sponsored by the Company.
- (c) Subject to the Applicable Pension Laws, the benefits provided under the Plan and payable hereunder shall only be paid to the extent that they are provided for by the assets held under the Fund, and no liability or obligation to make any contributions thereto or otherwise shall be imposed upon a Funding Agency or the Company other than in accordance with Section 12.01.
- (d) The investment of the Fund shall be made in accordance with the Applicable Pension Laws and the Revenue Rules and so as not to subject the Fund to income tax liability.

AMENDMENT NO. 3  
TO THE  
PENSION PLAN FOR MANAGEMENT EMPLOYEES OF  
CANADIAN AIRLINES INTERNATIONAL LTD.

OK  
PD  
14.3.94  
00

The text of the Pension Plan for Management Employees of Canadian Airlines International Ltd. is hereby amended, effective January 1, 1992, as follows:

RC  
changes

ARTICLE 1 - INTRODUCTION

Delete Section 1.02 and substitute therefor the following:

1.02 The purpose of the Plan is to provide certain lifetime retirement and related benefits for eligible Employees of the Company who become Members of the Plan on or after the Effective Date.

ARTICLE 2 - CONSTRUCTION, INTERPRETATION AND DEFINITIONS

Delete Section 2.20 and substitute therefor the following:

- 2.20 (a) "Earnings" means base salary or wages including holiday pay and vacation pay, but excluding overtime and other special allowances, as determined by the Company, paid to the Member by the Company, an Associate Company or a Former Company.
- (b) In the case of a Member whose Disability commences on or after July 1, 1989, the Member shall be deemed to have received Earnings, during his period of Disability, at a rate equal to that in effect when the Disability first commenced.
- (c) In respect of a Part-time Employee, Earnings shall be the actual or deemed earnings as described above, divided by the Part-time Service Factor.

ARTICLE 12 - COMPANY CONTRIBUTIONS

Delete Section 12.01 and substitute therefor the following:

12.01 Company Contributions

Based on the amounts estimated by the Actuary and subject to Section 12.02, the Company shall contribute to the Fund, on a quarterly basis within 30 days after the end of each calendar quarter, such amounts as are necessary to provide for the benefits accruing in that year and to fund any unfunded liability and any solvency deficiency in accordance with the Applicable Pension Laws. Subject to the Applicable Pension Laws, the liability of the Company at any time shall be limited to such contributions as are required at that time in accordance with the Applicable Pension Laws. Notwithstanding the foregoing, contributions made to the Plan on or after January 1, 1991 by the Company shall only be made if they are eligible contributions in accordance with the Revenue Rules.

Delete Section 12.03 and substitute therefor the following:

12.03 Excess Contributions

Subject to the Applicable Pension Laws, any amount which the Company contributed to the Fund, or a portion thereof, which is not required under the Plan or was contributed in error, as determined by the Company, or was contributed in accordance with the last-filed cost certificate which was superseded by a cost certificate based on a subsequent actuarial valuation, may, to the extent allowed by and subject to any conditions or approval procedures under the Applicable Pension Laws and the Revenue Rules, be returned to the Company. In the event that the Company makes a contribution to the Fund which would cause the Plan's registration to be revocable under the Income Tax Act then, subject to any conditions and approval procedures under Applicable Pension Laws, such contribution shall be returned to the Company.

OK  
PD  
16.3.94

QC changes

AMENDMENT NO. 4  
TO THE  
PENSION PLAN FOR CAW MEMBERS EMPLOYED BY  
CANADIAN AIRLINES INTERNATIONAL LTD.

The text of the Pension Plan for CAW Members Employed by Canadian Airlines International Ltd. is hereby amended, effective January 1, 1992, as follows:

ARTICLE 1 - INTRODUCTION

Delete Section 1.02 and substitute therefor the following:

1.02 The purpose of the Plan is to provide certain lifetime retirement and related benefits for eligible Employees of the Company who become Members of the Plan on or after the Effective Date.

Delete Section 1.03 and substitute therefor the following:

1.03 The plan shall be applicable to eligible Employees who are in the active employ of the Company, or who are on a leave of absence, on and after January 1, 1988 and who become Members of the Plan. A Member who is on Disability on January 1, 1988 shall continue to accumulate benefits in accordance with the terms of the applicable Former Plan as were in effect on December 31, 1987. Benefits in respect of former members and pensioners whose employment ceased prior to the Effective Date shall be determined in accordance with the terms of the applicable Former Plan at the time of such cessation of employment. Employees who were members of Former Plan C on the Effective Date were eligible to elect to remain subject to the terms of Former Plan C pursuant to paragraph 3.02(a). No members of Former Plan C elected to remain subject to the terms of Former Plan C.

ARTICLE 12 - COMPANY CONTRIBUTIONS

Delete Section 12.01 and substitute therefor the following:

12.01 Company Contributions

The Company shall contribute to the Fund such amounts as are recommended by the Actuary to properly fund the benefits under the Plan. The Company shall contribute such amounts as are necessary to provide for the benefits accruing in that year and to fund any unfunded liability and any solvency deficiency in accordance with the Applicable Pension Laws. Company contributions shall be remitted to the Fund on a quarterly basis within 30 days after the end of each calendar quarter. The liability of the Company at any time shall be limited to such contributions as are required at that time in accordance with the Applicable Pension Laws. Notwithstanding the foregoing, contributions made to the Plan on or after January 1, 1991 by the Company shall only be made if they are eligible contributions in accordance with the Revenue Rules.

✓

new

Delete Section 12.02 and substitute therefor the following:

12.02 Excess Contributions

Subject to the Applicable Pension Laws, any amount which the Company contributed to the Fund, or a portion thereof, which was contributed in accordance with the last-filed cost certificate and such Company contribution pursuant to the Applicable Pension Laws was subsequently discovered to be non-permissible or non-tax-deductible, pursuant to the Revenue Rules, based on the cost certificate of the next actuarial valuation, may, to the extent allowed by and subject to any conditions or approval procedures under the Applicable Pension Laws and the Revenue Rules, be returned to the Company. In the event that the Company makes a contribution to the Fund which would cause the Plan's registration to be revocable under the Income Tax Act then, subject to any conditions and approval procedures under the Applicable Pension Laws, such contribution shall be returned to the Company.

✓

new

000094

P5188-0241-3

Office of the Superintendent of Financial  
Institutions Canada  
Bureau du surintendant des institutions  
financières Canada

APR 28 1993

OTTAWA

PENSION PLAN FOR COMMUNICATION EMPLOYEES,  
AS REPRESENTED BY THE TRANSPORTATION COMMUNICATIONS UNION,  
OF CANADIAN AIRLINES INTERNATIONAL LTD.

(Effective January 1, 1988)

✓ 1.06 - Plan(a) administered  
in accordance with  
PBSA, 1985 during period  
Jan 1 - Dec 31 /87.

JP

May, 1992



ARTICLE 13

FUND

13.01 Fund

- (a) The benefits provided under the Plan shall be payable from a Fund established for the purposes of the Plan under which all contributions and investment earnings are held to pay such benefits.
- (b) The Company shall be responsible for the selection of the Trustees and the Custodians. The Fund or a portion thereof shall be maintained and administered by the Trustees and/or Custodians in accordance with the terms of a Trust Agreement and/or Custodial Agreement entered into between the Company and the Trustees and/or Custodians. The Company and the Trustees and/or Custodians may agree to amend the form and the terms of the Trust Agreement and/or Custodial Agreement at any time. The Company may further appoint organizations licensed to provide investment management services to manage the investment of any portion of the Fund. The Company may replace any Trustee, Custodian or investment manager at any time, in accordance with the terms of any applicable agreement or contract. The Company may establish and maintain a master trust consisting of the assets of the Plan and the assets of other registered pension plans sponsored by the Company.
- (c) Subject to the Applicable Pension Laws, the benefits provided under the Plan and payable hereunder shall only be paid to the extent that they are provided for by the assets held under the Fund, and no liability or obligation to make any contributions thereto or otherwise shall be imposed upon the Company other than in accordance with Section 12.01.

Air Canada  
Executive Pension Plan

*R-10 not correct in this  
plan. See letter dated  
May 12/92  
covering this issue.*

*Reviewed  
7/7/94  
SM  
see letter dated  
7/7/94*

~~By virtue of the powers granted through the Board Resolution dated \_\_\_\_\_,~~  
I, hereby, certify this to be a true and complete copy of the Air Canada Pension Plan.

March 21/94  
Date

*Paul Pitman*  
Signature

## Section 4 - Contributions

---

- 4.1 a) Members shall not be required to make any contribution to the plan except in respect of any deficiency created by any period mentioned in any paragraph of section 3.1.
- b) A member may be required to make contributions in respect of any deficiency created by any period of allowable service mentioned in a paragraph of Section 3, subject to such conditions as may be stipulated by the Company. Such contributions shall not exceed the amount reasonably necessary to fund the benefits. If in the case of a member's retirement, death or termination of employment any such deficiency remains unpaid, in whole or in part, the annual pension credited to the member on such a date shall be reduced by an amount equal to the amount of pension whose commuted value equals the amount of unpaid deficiency or in such other manner as may be determined by the Company on the advice of the actuary. ✓
- 4.2 The Company shall remit to the trust fund any member contributions not later than 30 days after the end of the month in respect of which such contributions were deducted from pay or otherwise paid directly.
- 4.3 The Company shall ensure that the funding of the plan at all times meets the standards for solvency prescribed under the Act.

No contribution shall be made by the Company to the Trust fund, in accordance with this paragraph unless it is an eligible contribution as defined by the Income Tax Act and is permitted by the Income Tax Act.

P5700 - C257 - 3  
0000

AMENDMENT NO. 3  
TO THE  
PENSION PLAN FOR EXECUTIVES  
OF CANADIAN AIRLINES INTERNATIONAL LTD.

OK  
PD  
14.3.94

The text of the Pension Plan for Executives of Canadian Airlines International Ltd. is hereby amended, effective January 1, 1992, as follows:

ARTICLE 1 - INTRODUCTION

RC

Delete Section 1.02 and substitute therefor the following:

1.02 The purpose of the Plan is to provide certain lifetime retirement and related benefits for eligible Employees of the Company who become Members of the Plan on or after the Effective Date.

ARTICLE 2 - CONSTRUCTION, INTERPRETATION AND DEFINITIONS

Delete Section 2.19 and substitute therefor the following:

2.19 "Earnings" means regular base salary or wages, as determined by the Company, paid to the Member by the Company, an Associate Company or a Former Company.

AM 4

In the case of a disabled Member, the Employee shall be deemed to have received Earnings, during his period of Disability, at a rate equal to that in effect when the Disability first commenced increased on each subsequent January 1 by the lesser of 5% and the increase in the Consumer Price Index for that year.

ARTICLE 12 - COMPANY CONTRIBUTIONS

Delete Section 12.01 and substitute therefor the following:

12.01 Company Contributions

Based on the amounts estimated by the Actuary and subject to Section 12.02, the Company shall contribute to the Fund, on a quarterly basis within 30 days after the end of each calendar quarter, such amounts as are necessary to provide for the benefits accruing in that year and to fund any unfunded liability and any solvency deficiency in accordance with the Applicable Pension Laws. Subject to the Applicable Pension Laws, the liability of the Company at any time shall be limited to such contributions as are required at that time in accordance with the Applicable Pension Laws. Notwithstanding the foregoing, contributions made to the Plan on or after January 1, 1991 by the Company shall only be made if they are eligible contributions in accordance with the Revenue Rules.

Delete Section 12.03 and substitute therefor the following:

12.03 Excess Contributions

Subject to the Applicable Pension Laws, any amount which the Company contributed to the Fund, or a portion thereof, which is not required under the Plan or was contributed in error, as determined by the Company, or was contributed in accordance with the last-filed cost certificate which was superseded by a cost certificate based on a subsequent actuarial valuation, may, to the extent allowed by and subject to any conditions or approval procedures under the Applicable Pension Laws and the Revenue Rules, be returned to the Company. In the event that the Company makes a contribution to the Fund which would cause the Plan's registration to be revocable under the Income Tax Act then, subject to any conditions and approval procedures under the Applicable Pension Laws, such contribution shall be returned to the Company.

ARTICLE 13  
FUND

13.01 Fund

- (a) The benefits provided under the Plan shall be payable from a Fund established for the purposes of the Plan under which all contributions and investment earnings are held to pay such benefits.
- (b) The Company shall be responsible for the selection of the Funding Agencies. The Fund or a portion thereof shall be maintained and administered by a Funding Agency in accordance with the terms of a Funding Agreement entered into between the Company and the Funding Agency. The Company and a Funding Agency may agree to amend the form and the terms of the Funding Agreement at any time. The Company may further appoint organizations licensed to provide investment management services to manage the investment of any portion of the Fund. The Company may replace any Funding Agency or investment manager at any time, in accordance with the terms of any applicable agreement or contract. The Company may establish and maintain a master trust consisting of the assets of the Plan and the assets of other registered pension plans sponsored by the Company.
- (c) Subject to the Applicable Pension Laws, the benefits provided under the Plan and payable hereunder shall only be paid to the extent that they are provided for by the assets held under the Fund, and no liability or obligation to make any contributions thereto or otherwise shall be imposed upon a Funding Agency or the Company other than in accordance with Section 12.01.

**PENSION PLAN FOR  
TECHNICAL SERVICES AND CLERICAL EMPLOYEES,  
AS REPRESENTED BY THE INTERNATIONAL ASSOCIATION OF  
MACHINISTS AND AEROSPACE WORKERS,  
OF CANADIAN AIRLINES INTERNATIONAL LTD.**

(Effective January 1, 1988)

December, 1991

ARTICLE 13

FUND

13.01 Fund

- (a) The benefits provided under the Plan shall be payable from a Fund established for the purposes of the Plan under which all contributions and investment earnings are held to pay such benefits.
- (b) The Company shall be responsible for the selection of the Trustees and the Custodians. The Fund or a portion thereof shall be maintained and administered by the Trustees and/or Custodians in accordance with the terms of a Trust Agreement and/or Custodial Agreement entered into between the Company and the Trustees and/or Custodians. The Company and the Trustees and/or Custodians may agree to amend the form and the terms of the Trust Agreement and/or Custodial Agreement at any time. The Company may further appoint organizations licensed to provide investment management services to manage the investment of any portion of the Fund. The Company may replace any Trustee, Custodian or investment manager at any time, in accordance with the terms of any applicable agreement or contract. The Company may establish and maintain a master trust consisting of the assets of the Plan and the assets of other registered pension plans sponsored by the Company.
- (c) Subject to the Applicable Pension Laws, the benefits provided under the Plan and payable hereunder shall only be paid to the extent that they are provided for by the assets held under the Fund, and no liability or obligation to make any contributions thereto or otherwise shall be imposed upon the Company other than in accordance with Section 12.01.



- (d) The investment of the Fund shall be made in accordance with the Applicable Pension Laws and the Revenue Rules and so as not to subject the Fund to income tax liability.
- (e) Fees of the Trustee, fees of the Custodian, fees of an investment manager, investment brokerage, transfer taxes and similar costs properly or lawfully arising as a result of the making of investments, sale of assets or realization of investment yield, and the expenses reasonably incurred or compensation properly paid in the course of the administration of the Plan, shall be paid by the Company in cash or from the Fund, as determined by the Company.

13.02 Claims on the Fund

No Member or any person claiming through him, by virtue of any provision of the Plan, shall have any right to, or any interest in, any part of the Fund except to the extent provided from time to time under the Plan and the Trust Agreement, and any Member or other person having any claim through him shall have recourse solely to the Fund for payment of any benefits hereunder. Under no circumstances shall any liability attach to the Company, the members of the Pension Communication Committee, the Trustees, the Custodians or the investment managers, or any director, officer or employee of the Company for payment of any benefits or claims hereunder, except for their own wilful and intentional malfeasance or misconduct.



Office of the Superintendent of Financial Institutions Canada

Bureau du surintendant des institutions financières Canada

255 Albert Street  
Ottawa, Canada  
K1A 0H2

255, rue Albert  
Ottawa, Canada  
K1A 0H2

www.osfi-bsif.gc.ca

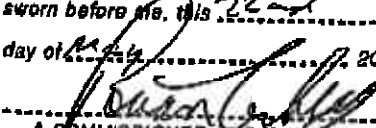
000104

VIA FACSIMILE: (514) 422-5609

PROTECTED B

Our Files: P5100-A1-1  
A58, A190, C58, C241, C248  
C249, C250, C251, C286

March 21, 2003

This is Exhibit "D" referred to in the  
affidavit of KAREN D. ADGIEROW-CROTTAL  
sworn before me, this 22nd  
day of March, 2003  
  
A COMMISSIONER FOR TAKING AFFIDAVITS

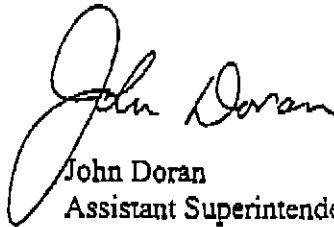
Air Canada  
c/o Ms Susan Welscheid  
Vice-President - People  
Centre Air Canada 1260  
P.O. Box 14000, Station Airport  
Dorval, Quebec  
H4Y 1H4

Dear Ms Welscheid:

**Subject: Temporary Direction of Compliance  
Air Canada and Canadian Airlines International Ltd.  
Pension Plans (the Plans)  
Pension Benefits Standards Act, 1985 (PBSA)**

Pursuant to subsections 11(1),(2) and (4) of the PBSA, please find enclosed a Temporary Direction which is effective today.

Yours truly,

  
John Doran  
Assistant Superintendent

cc: Mr. Rob Peterson, Air Canada, by fax 514-422-5609

Canada

Office of the Superintendent  
of Financial Institutions Canada255 Albert Street  
Ottawa, Canada  
K1A 0H2Bureau du surintendant  
des institutions financières Canada255, rue Albert  
Ottawa, Canada  
K1A 0H2

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000195

**PROTECTED B****TEMPORARY DIRECTION**

**RE: Air Canada Pension Plan  
Air Canada Executive Pension Plan;  
Air Canada Pension Plan Pilots;  
Pension Plan for Technical Services and Clerical Employees;  
Pension Plan for CAW Members Employed by Canadian Airlines International Ltd.;  
Pension Plan for Management Employees of Canadian Airlines International Ltd;  
Pension Plan for Cabin Personnel;  
Pension Plan for Pilots of Canadian Airlines International Ltd;  
Pension Plan for Executives of CAIL; and  
Pension Plan for Dispatch Employees**

(Hereinafter referred to as "Plans")

Air Canada, the employer, has and is continuing to take contribution holidays in respect of its Plans although the plans currently have significant solvency deficits. In addition, Air Canada, as administrator of the Plans, is not ensuring the adequate funding of the Plans in accordance with the terms of the Plan. I am therefore of the opinion that the Plans are not being administered in accordance with the *Pension Benefits Standards Act, 1985* ("PBSA, 1985"), its regulations or the Plans. In addition, I am of the opinion that by taking contribution holidays, Air Canada is committing or is about to commit or pursue an act or course of conduct that is contrary to safe or sound financial or business practices in respect of the Plans. The Office of the Superintendent of Financial Institutions ("OSFI") has informed Air Canada of its views as evidenced by its letter to Air Canada dated March 10, 2003 and telephone conversations between representatives of OSFI and Air Canada.

Accordingly, pursuant to subsections 11(1), (2) and (4) of the PBSA, in order to remedy this situation, I direct that, in relation to each of its Plans, Air Canada cease taking contribution holidays beginning immediately and remit to each pension fund the contributions representing the normal cost of Air Canada to the pension funds, including contributions for the 2002 plan year. The 2002 contributions and any contribution holidays that may have been taken to date in 2003 should be remitted immediately to each pension fund.

Canada

000196

- 2 -

Since the Plans have significant solvency deficits, pursuant to subsection 26(4) of the PBSA, 1985, I am also of the opinion that any transfers of moneys out of the pension funds of the Plans pursuant to section 26 of the PBSA, 1985 would impair the solvency of the pension funds of the Plans. Therefore, I direct Air Canada not to transfer moneys out of the respective pension funds of the Plans unless I have otherwise consented to or directed such transfers and such transfers conform to any terms and conditions that I have deemed appropriate.


Subject to the following, this Temporary Direction is effective immediately and will remain in effect until April 4, 2003.

Unless this Temporary Direction is revoked, this Direction shall continue in effect after April 4, 2003 if no representations are made to me or, if such representations having been made, I notify you that I am not satisfied that there are sufficient grounds for revoking this Direction. If you wish to make representations, please do so in writing delivered prior to the close of business on April 4, 2003, at our Ottawa office. The address is as follows:

Office of the Superintendent of Financial Institutions  
13th Floor  
255 Albert Street  
Ottawa, Ontario  
K1A 0H2

Directions issued pursuant to subsections 11(1), (2) and (4) are subject to court enforcement under the provisions of section 33.1 of the PBSA, 1985. In addition, non-compliance of a direction is an offence pursuant to section 38 of the PBSA, 1985. A copy of these provisions of the Act is attached for your convenience.

Dated at Toronto, Ontario this 21<sup>st</sup> day of March 2003.

  
John Doran  
Assistant Superintendent, Supervision

Att.



Office of the Superintendent of Financial Institutions Canada

Bureau du surintendant des institutions financières Canada

235 Albert Street  
Ottawa, Canada  
K1A 0G2

235, rue Albert  
Ottawa, Canada  
K1A 0G2

www.osfi-bisf.gc.ca

PROTECTED B

By facsimile: 1-514-422-4147

March 23, 2003

To: Air Canada

Attention: John Baker  
Senior Vice-President and General Counsel

Re: Temporary Direction

This is Exhibit "E" referred to in the affidavit of KAREN DORRAGAN-CRTEAU sworn before me, this 22nd day of May, 2003.  
*[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

Further the Temporary Direction that I issued on March 21, 2003, I wish to confirm that Air Canada has until April 4, 2003 to make representations to me concerning this Temporary Direction. Based on representations made I may choose to revoke the Temporary Direction. As a result, although the Temporary Direction is in effect, in the absence of any intervening events that could adversely affect the members of the Plans and require further regulatory or other legal action, no enforcement proceedings will be commenced to require an immediate payment of the required amount prior to the close of business on April 4, 2003.

Yours truly,

*[Signature of John Doran]*

John Doran  
Assistant Superintendent,  
Supervision Sector  
Office of the Superintendent of Financial Institutions

Canada



Office of the Superintendent  
of Financial Institutions Canada

Bureau du surintendant  
des institutions financières Canada

181 King St. West  
Toronto, Ontario  
M5H 3T8

181, rue King ouest  
Toronto (Ontario)  
M5H 3T8

www.osfi-baif.gc.ca

000108

VIA FACSIMILE  
ORIGINAL TO FOLLOW

PROTECTED B

April 2, 2003 This is Exhibit "F" referred to in the  
affidavit of ~~KAREN DAVENAM~~ ~~WATSON~~  
sworn before me, this 22nd  
day of ~~May~~ 2003.  
*[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

Mr. Calin Rovinescu  
CEO Restructuring  
Air Canada  
Air Canada Centre  
C.P. 14000, Station Airport  
Dorval, Québec  
H4Y 1H4

Dear Mr. Rovinescu:

**RE: Air Canada Pension Plan;  
Air Canada Executive Pension Plan;  
Air Canada Pension Plan Pilots;  
Pension Plan for Technical Services and Clerical Employees;  
Pension Plan for CAW Members Employed by Canadian Airlines International Ltd.;  
Pension Plan for Management Employees of Canadian Airlines International Ltd;  
Pension Plan for Cabin Personnel;  
Pension Plan for Pilots of Canadian Airlines International Ltd;  
Pension Plan for Executives of CAIL;  
Pension Plan for Dispatch Employees  
(Hereinafter referred to as "Plans")**

Pursuant to subsection 11(5) of the *Pension Benefits Standards Act, 1985* ("PBSA, 1985"), this is to notify you that in light of the filing for creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA") on April 1, 2003, I am not satisfied that there are sufficient grounds at this time for revoking the direction that was issued on March 21, 2003. In order to revoke the direction we require confirmation in written form that your final proposal discussed in the early hours of April 1, 2003 has been put in place as evidenced by a court order under CCAA proceedings.

As we have discussed, The Office of the Superintendent of Financial Institutions ("OSFI") is open and willing to discuss with you any proposals for the restructuring of the Plans under the CCAA proceedings. In light of the recent events we would ask you to consider what matters discussed on March 31 and April 1, 2003 related to the restructuring of the plans should be included in any proposals for the restructuring of the plans in CCAA. We would encourage Air

Canada

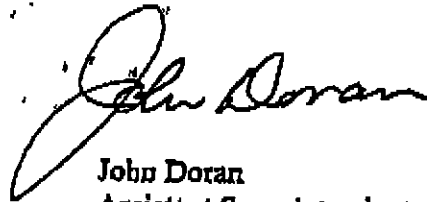
- 2 -

Canada to discuss any proposals with OSFI prior to those proposals being submitted to the Court.

With respect to the date of filing of the valuation reports as addressed in our letter of March 21 2003, we are of the view that the date referred to in the letter continues to remain in place pending further discussions with our office.

We are available to discuss these matters further.

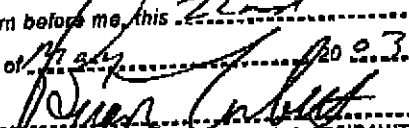
Yours truly,



John Doran  
Assistant Superintendent  
Supervision

AIR CANADA 

000110

This is Exhibit "E" referred to in the affidavit of KAREN MARGERSON - CROTEAU sworn before me this 22nd day of May 2003  
  
A COMMISSIONER FOR TAKING AFFIDAVITS



John M. Baker  
Senior Vice President and General Counsel  
Premier vice-président et Conseiller juridique général

April 3, 2003

BY TELECOPIER (416) 973 1168

John Doran  
Assistant Superintendent  
Supervision  
Office of the Superintendent of  
Financial Institutions Canada  
121 King Street West  
Toronto, Ontario  
M5H 3T8

Dear Mr. Doran:

I am writing in response to your letter to Calin Rovinescu dated April 2, 2003. As indicated in the filing material, it is intended that proposals be made to the Court on April 22, 2003 respecting *inter alia* the OSFI discussions. The details of the proposal discussed in the early hours of April 1, 2003 were never ratified by our Board of Directors in light of the filing.

As you know, in the current environment, the Company does not have unilateral discretion to reach agreement on any material matter requiring expenditure of funds and therefore we will need to consult with other stakeholders regarding any arrangement that may be proposed to the Court.

I expect that we should organize a meeting as early as next week to review the alternatives available both with respect to the issue of contributions to the Pension Plans as well as proposals for the restructuring of the Pension Plans under the CCAA proceedings.

In addition, you will appreciate that these discussions are without prejudice to the Company's right to contest the legitimacy of the Direction of Compliance dated March 21, 2003.

Please direct all future correspondence to me.

Yours truly,

John M. Baker

/ar

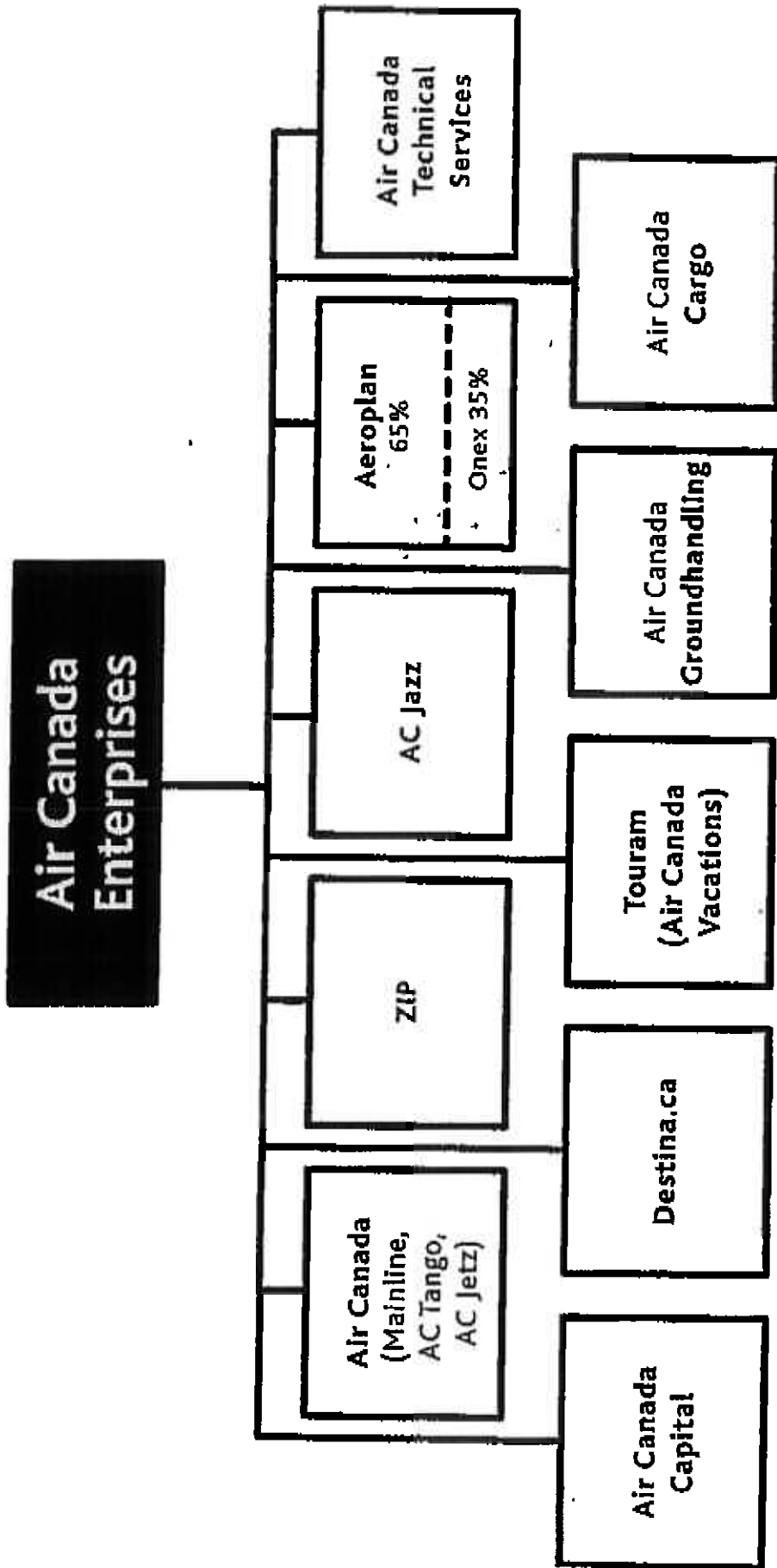
CENTRE AIR CANADA 1276  
C.P. 14 000, Succ. Aéroport  
Dorval QC H4Y 1H4  
TEL/TÉL: (514) 422-7275  
FAX/TÉL: (514) 422-4147  
john.baker@aircanada.ca  
aircanada.ca

A STAR ALLIANCE MEMBER  
MEMBRE DU RÉSEAU STAR ALLIANCE 



000111

# Post-Restructuring





Office of the Superintendent of Financial Institutions Canada

Bureau du surintendant des institutions financières Canada

255 Albert Street  
Ottawa, Canada  
K1A 0H2

255, rue Albert  
Ottawa, Canada  
K1A 0H2

www.osfi-bsif.gc.ca

000112

**PROTECTED B**

**Our Files: P5100-A1-1  
A58, A190, C58, C241, C248  
C249, C250, C251, C286**

April 25, 2003

This is Exhibit "17" referred to in the affidavit of KAREN DARRIN-GOTTEAU sworn before me, this 22<sup>nd</sup> day of April, 2003.  
*[Signature]*  
COMMISSIONER FOR TAKING AFFIDAVITS

VIA FACSIMILE: (514) 422-5609

Ms. Susan Welscheid  
Vice President - People  
Centre Air Canada 1260  
C.P. 14000  
Succursale Aéroport  
Dorval (Québec)  
H4Y 1H4

Dear Ms. Welscheid:

**Subject: Air Canada Pension Plans  
Pension Benefits Standards Act, 1985 (PBSA)  
Pension Benefits Standards Regulations, 1985 (Regulations)**

We are writing to confirm and follow up on the issues that were discussed during our meeting on April 17<sup>th</sup>. Air Canada raised several items in relation to the restructuring alternatives of the pension plans, some of which would require regulatory approval.

We have addressed below the additional information we will require in order to move forward on a number of these issues.

**1. Company Contributions in 2003**

We understand Air Canada intends to commence funding the pension plans once restructuring has been completed and agreed to by all stakeholders.

We reconfirm OSFI's position, at this time as stated in the Direction of Compliance issued March 21, 2003, that Air Canada is to cease taking contribution holidays and that the 2002 contributions and any contribution holidays that may have been taken to date in 2003 should be remitted immediately to each pension fund.

000113

## 2. Possible Amendments to PBSA Regulations

- Longer period to amortize solvency deficit (10 years vs. 5 years)

As discussed during the meeting, Air Canada has asked OSFI to consider changes to the Regulations that would allow Air Canada to fund solvency deficiencies over a 10-year period instead of the 5-year period currently specified in the Regulations. OSFI does not have the authority to make this change. To assess the implications of supporting such a change in the Regulations, we need to receive more information from Air Canada on a plan specific basis, which considers the various restructuring scenarios proposed by Air Canada. We anticipate that the analysis provided by Air Canada would include a snapshot of what the plans and benefits (for both active members, deferred vested members and retirees) would look like under both a five-year and 10 year amortization schedule. We would anticipate that the restructured benefits would also be different under both funding scenarios as it is expected that the longer funding window would allow for a lesser reduction in benefits for all parties. As well, the analysis should illustrate what the impact would be on active members, deferred vested members and retirees benefits should the plans terminate. We would also ask that you provide us with financial data on each plan that includes the unfunded liabilities and the solvency deficiencies before and after the proposed restructuring scenarios. It would also be helpful to have information, which would allow us to assess the restructured plans in the overall context of the financial profile of Air Canada post-restructuring.

- Exempt SERP from PBSA in the event that the maximum pension under the registered plan is reduced below the ITA maximum.

We will review the implications of this request on the PBSA and the Regulations. Again, in this case, OSFI does not have the authority to change the regulation and will be required to engage in a discussion with other government agencies on this matter. In this regard, we may require some additional information to facilitate these discussions and will advise you in due course.

## 3. Restructuring of pension plans to avoid plan termination

Any amendments made to a pension plan, that would have the effect of reducing any accrued benefits or other pension benefits, would have to be done in accordance with the terms of any collective agreements, the terms of the pension plan, trust documents, and any other agreements or documents that support the pension plan. Before OSFI can assess its position on any proposed plan amendment that would have the effect of reducing members' benefits, we would require information similar to that requested under item No. 2, i.e. the impact that the proposed benefit reductions and suspension of benefit accrual would have on members' benefits in each pension plan (shown separately), as well as the impact of the proposed changes

to the financial position of each pension plan on a solvency basis (before and after the proposed benefit reductions).

We would also require a list of all plan amendments that had been made to each defined benefit plan over the past three years that improved or had the effect of improving members' benefits. We also ask that you provide us with the corresponding liability associated with these benefit improvements.

As discussed during the meeting, the restructuring of these pension plans will involve many stakeholders, including the unions and the plan members. All active (union and non-union), deferred vested, and retired members must have adequate representation in the restructuring process. We ask that you confirm the measures Air Canada will take to ensure that non-union active members, deferred vested members, and retired members have representation. Once the representation for these groups has been established, please confirm the contact person providing representation for each group and advise if the person has received legal standing before the court during the restructuring process. We would appreciate receiving confirmation of these arrangements by Wednesday April 30, 2003.

4. Permissibility of refunds of non-vested members' contributions

We will review your proposal and advise.

5. Disclosure of correspondence

Thank you for providing us with a copy of the letter dated April 17<sup>th</sup> from Mr. Rovinescu to the various unions involved in the restructuring process. We agreed during the meeting that all correspondence issued by Air Canada relating to the pension plans and addressed to the plan members and the unions would be forwarded electronically to Suzanne Théorêt. We ask that you provide us with member communications for our review before they are sent to plan members.

As mentioned during the meeting, Air Canada does not require OSFI approval to release correspondence it has received from OSFI. However, we would appreciate being advised in advance of the release of any of our correspondence so that we can be prepared to respond to any inquiries in that regard.

## 6. Status of Valuation Reports

During our meeting last week, Air Canada advised they did not expect to file the valuation reports for the Air Canada defined benefit plans by April 30<sup>th</sup> as directed in our letter to Air Canada dated March 21, 2003.

As discussed, the requirements as set out in our letter of March 21, 2003 remain in place. In the absence of any written agreement otherwise, we require that you comply with the direction provided in this letter and file the valuation reports complete with a payment schedule with OSFI by April 30<sup>th</sup>.

As well, as discussed at our meeting last week, we would like the reports to be accompanied by a summary of the material losses and gains for the pension plans on a solvency basis since the last solvency valuations submitted to OSFI. We are not asking for a reconciliation of the current and previous solvency valuations, but only an explanation of the major elements causing the deterioration of the plans' financial positions on a solvency basis and the materiality of these losses, for example investment returns, contribution holidays, etc.

## 7. Other Business

### ➤ Annual Member Statements

As discussed, it is important that plan members know the financial position of their pension plans on a solvency or termination basis and this should be reflected on the annual members' statements, which are to be provided to plan members by the end of June 2003. In addition to providing the solvency ratio, the statement should also explain the effect that the solvency ratio would have on members' benefits in the event of a plan termination. Communication will have to address any priority provisions contained in the plan documents as well as steps being taken to deal with the pension plans' deficits.

We ask that you submit for each plan sample statements to OSFI for our review.

### ➤ New events

We ask that you inform OSFI of any new event that may affect any pension plan sponsored by Air Canada and registered under the PBSA.

000116

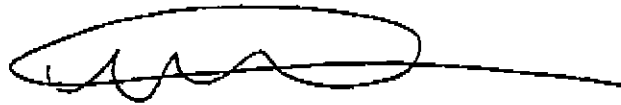
➤ Investment Policies

Given the proposed restructuring of the pension plans that is currently under consideration, we expect that Air Canada, as plan administrator, would be reviewing the current Statement of Investment Policies and Procedures for all of its pension plans to ensure any potential further losses are minimized. Please confirm the measures taken by Air Canada in this regard.

As indicated previously OSFI remains open to working with the company and others in the best interests of all members of the pension plans.

Should you have any questions or concerns, please do not hesitate to contact us.

Yours truly,



Karen Badgerow-Croteau  
Managing Director

cc: Mr. Calin Rovinescu, Air Canada  
Ms. Caroline Drouin, Air Canada  
Mr. John Baker, Air Canada  
Mr. John Doran, OSFI

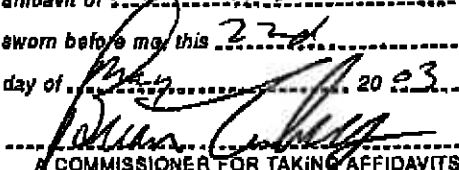
AIR CANADA 

000117

John M. Baker  
 Senior Vice President and General Counsel  
 Premier vice-président et conseiller juridique général

May 6, 2003

Ms. Karen Badgerow-Croteau  
 Managing Director  
 Office of the Superintendent  
 of Financial Institutions  
 255 Albert Street  
 Ottawa, Ontario  
 K1A 0H2

This is Exhibit "1" referred to in the  
 affidavit of KAREN BADGEROW-CROTEAU  
 sworn before me this 2nd  
 day of May 2003  
  
 COMMISSIONER FOR TAKING AFFIDAVITS



Dear Ms. Badgerow-Croteau:

**Subject: Air Canada Pension Plans**

I am writing in response to your letter of April 25, 2003 addressed to Ms. Susan Welscheid, Vice President-People, Air Canada. We wish to address as fully as possible the points raised in your letter, however, not all the issues are capable of being responded to at this time as significant further discussion and negotiation with the relevant stakeholders will be necessary before so doing. Our comments are as follows.

1. **Company Contributions in 2003** - As we have previously indicated and as a result of the CCAA filing, we intend to recommence funding of the pension plans only once the pension plan restructuring has been completed and agreed to by all stakeholders.
2. **Possible Amendments to PBSA Regulations** - We appreciate OSFI's willingness to assist in the pursuit of the amendments to certain of the Pension Benefits Standards Regulations. We understand that you require certain precise information in regard to each of the plans in order to be able to participate in and support the obtaining of such amendments. We will endeavour to be as cooperative as possible in the provision of all such necessary information at the point at which we are in a position to do so. At the moment, such efforts are premature in that we need to negotiate satisfactory arrangements with all relevant stakeholders and also to determine whether such arrangements will necessitate the proposed regulatory amendments that we have been discussing and on which we would be relying on OSFI's active support. Our comments pertain to both the desire to provide a longer period to amortize the solvency deficit and also to the possibility of exempting one or more supplementary pension plans from the PBSA in the event that the maximum benefit under the relevant registered pension plan would be reduced below ITA maximum.

CENTRE AIR CANADA 1376  
 C.P. 11 000, Succ. Admeparc  
 Dorval QC H4Y 1H1  
 Tel/Tél: (514) 422-7275  
 Fax/Filé: (514) 422-1117  
 john.baker@aircanada.ca  
 aircanada.ca

May 6, 2003  
Karen Badgerow-Croteau  
2.....

3. Restructuring of Pension Plans to Avoid Plan Termination - We similarly understand OSFI's need to receive certain information similar to that requested under Item 2 herein for purposes of assessing the restructuring proposal in regard to the pension plans. Again, however, we believe the request for information is premature at the present moment until discussions are well advanced with relevant stakeholders.

In regard to the request to list all recent plan amendments, we would note that amendments improving members' accrued benefits were described in the last valuation reports or addenda on the respective plans with their financial impact. They were no such amendments reflected in the updates prepared as at January 1, 2003.

As we discussed in our conversation on May 2, 2003, we can confirm that all retired and active unionized and non-unionized members of the pension plans, including those with deferred vested rights, now have legal representation. Mr. John R. Varley of the law firm of Pallett Valo, LLP, will be acting in respect of all (retired and deferred vested) plan members. There is, however, as we understand it, some question outstanding as to whether retired pilots will be obtaining separate representation and we shall inform you of that development as we are made aware of it. We understand Mr. Varley will receive instructions from the recently organized Airline Supplementary Pension and Benefit Plans Beneficiary Association ("ASBPBPA"). In regard to non-unionized active management and ATS employees and executives of Air Canada, Mr. Brian Bellmore of the law firm Bellmore and Moore has agreed to represent their interests. We are in the process of assisting in the organization of appropriate internal contacts for Mr. Bellmore's representation.

4. Status of Valuation Reports - As previously stated and confirmed in our discussion on May 2, 2003, we have prepared updates in respect of the January 1, 2003 financial position of the pension plans and have delivered copies to Ms. Linda Maher on May 2, 2003. We trust they are informative and of assistance to you in your review of the status of our plans. As we have frequently indicated to you, however, actuarial valuation reports as of January 1, 2003 will not be provided in light of the current CCAA proceedings pending what we hope will be a successful restructuring of the plans.
5. Other Business - We will, of course, continue to inform OSFI of any new material event that may affect any pension plan sponsored by Air Canada and registered under the PBSA and we take note of your request that annual members statements be provided by the end of June 2003 with a copy being sent to you for your review.



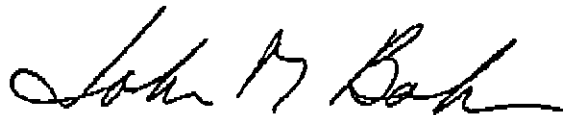
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May 6, 2003  
Karent Badgerow-Croteau  
2...

In respect of the investment policies pursued by Air Canada as plan administrator, you will appreciate that we exercise great care in the development and implementation of all such policies and review them from time to time as circumstances dictate. As you have anticipated, it would be our intent to review the current Statement of Investment Policies and Procedures as required in order to properly reflect the needs of the pension plans as they may be restructured.

We trust the above is helpful. We are encouraged by the spirit of cooperation that has been confirmed in our recent discussions as a necessary prerequisite to working constructively together for the benefit of all plan members.

Yours very truly,



- cc: Calin Rovinescu, Executive Vice President, Corporate Development and Strategy
- Susan Welscheid, Vice President - People
- J. Michael O'Connell, Senior Director, Total Rewards
- Caroline Drouin, Director, Pensions and Employee Benefits
- Louis-George Simard, Mercer Human Resource Consulting
- John Doran, Assistant Superintendent, Supervision, Office of the Superintendent of Financial Institutions
- Carol Taraschuk, Legal Counsel, Office of the Superintendent of Financial Institutions



Office of the Superintendent of Financial Institutions Canada

Bureau du surintendant des institutions financières Canada

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Ottawa, Canada  
K1A 0H2

www.osfi-bsif.gc.ca

1030  
500120

VIA FACSIMILE: (514) 422-5609

PROTECTED B

Our File: P5100-A001-1

March 21, 2003

Ms. Susan Welscheid  
Vice President - People  
Centre Air Canada 1260  
C.P. 14000  
Succursale Aéroport  
Dorval (Québec)  
H4Y 1H4

This is Exhibit "J" referred to in the  
affidavit of SARAH MADRIGNAN-LEOTEAU  
sworn before me, this 23  
day of March, 2003.  
*[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

Dear Ms. Welscheid:

**Subject: Air Canada & Canadian Airlines Pension Plans (the Plans)  
Pension Benefits Standards Act, 1985 (PBSA)**

Further to the discussions held this morning between Air Canada and OSFI, I am confirming our requirements concerning the preparation and filing dates of the valuation reports, communication to members, and the payment of transfer values for terminating members of the Plans.

1. Valuation Reports

Pursuant to subsections 12.(3) and (4) of the PBSA, I direct that you prepare valuation reports for the following Air Canada and Canadian Airlines pension plans as at December 31, 2002 or January 1, 2003 (as applicable) and that you file the reports with OSFI on or before April 30, 2003:

- a) Air Canada Pension Plan
- b) Air Canada Executive Pension Plan;
- c) Air Canada Pension Plan Pilots;
- d) Pension Plan for Technical Services and Clerical Employees;
- e) Pension Plan for CAW Members Employed by Canadian Airlines International Ltd.;
- f) Pension Plan for Management Employees of Canadian Airlines International Ltd.;
- g) Pension Plan for Cabin Personnel;
- h) Pension Plan for Pilots of Canadian Airlines International Ltd.;
- i) Pension Plan for Executives of CAIL; and
- j) Pension Plan for Dispatch Employees

Canada

000121

Susan Welscheid  
Page 2 of 2

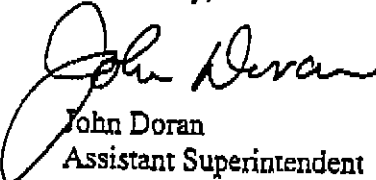
2. Communication to Members

We also require that the members be informed of the current financial position of their pension plans on a termination or solvency basis and that this information be provided to plan members on or before April 4, 2003. In addition, pursuant to subsection 34 (1), we ask that you submit for our prior review the communication requested above that Air Canada will be providing to the plan members on their pension plans.

3. Payment of Transfer Values for Terminating Members

Thank you for your confirmation, in the letter from Caroline Drouin to Suzanne Théorêt dated March 20, 2003, that Air Canada has ceased the payment of transfer values for terminating plan members. With respect to this matter, we will review the proposal you have submitted today, in another letter addressed to Karen Badgerow-Croteau, and provide you with our comments.

Yours truly,



John Doran  
Assistant Superintendent

cc: Mr. Rob Peterson, Air Canada  
Ms. Caroline Drouin, Air Canada

Office of the Superintendent  
of Financial Institutions CanadaBureau du surintendant  
des institutions financières Canada255 Albert Street  
Ottawa, Canada  
K1A 0G2255, rue Albert  
Ottawa, Canada  
K1A 0G2

www.osfi-bsif.gc.ca

000122

VIA FACSIMILE: (902) 873-2098

PROTECTED B

Our Files: P5100-A79-1  
P5100-A140-1

March 21, 2003

This is Exhibit "K" referred to in the  
affidavit of ISABEL BARRAN-COSTA  
sworn before me, this 22nd  
day of May 2003  
Isabel Barran-Costa  
A COMMISSIONER FOR TAKING AFFIDAVITS

Ms Lynn Loewen  
Plan Administrator  
Vice President of Finance  
Jazz Air Inc.  
310 Gaudy Drive  
Halifax International Airport  
Enfield, Nova Scotia  
B2T 1E4

Dear Ms Loewen:

**Subject: Contributory Defined Benefit Pension Plan for the Employees of Air  
Ontario Inc. (Air Ontario Plan)  
AirBC Pilots Pension Plan (AirBC Plan)  
Pension Benefits Standards Act, 1985 (PBSA)**

OSFI is concerned about the current solvency position of the Air Ontario Plan and the AirBC Plan and the possible negative effect that future events could have on members' benefits. In light of this, OSFI is looking at all possible measures that should be taken now by Jazz Air Inc. and OSFI to address this.

### 1. Requested Actions

Effective immediately, I ask that you cease processing payment of transfer values for terminating members of the Air Ontario Plan and AirBC Plan.

### 2. Preparation Date of Valuation Reports

The AirBC Plan is due to prepare a valuation report as at December 31, 2002, and the Air Ontario Plan is due to file a valuation report as at January 1, 2004. Pursuant to subsections 12(3) and (4) of the PBSA, I direct that you prepare the valuation reports for the plans as at December 31, 2002 and January 1, 2003 respectively and that they be filed with our office on or before April 30, 2003. △

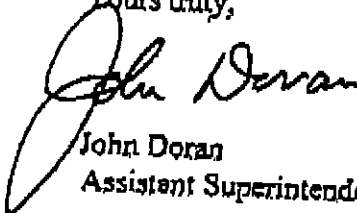
Canada

Ms Lynn Loewen  
Page 22. Communication to Members

The current financial positions of the AirBC plan and Air Ontario Plan have changed since the last valuation report was filed with OSFI. It is important that information to members be timely and transparent. Pursuant to section 13 of the PBSA we require that the members be informed of the current financial position of their pension plans on a termination or solvency basis and that this information be provided to plan members on or before April 4, 2003. In addition, pursuant to subsection 34 (1), we ask that you submit for our prior review the communication requested above that you will be providing to the plan members on their pension plans. We will discuss this issue further with you during our conference call scheduled for next week.

We will be requesting additional information from you next week on the above mentioned plans and will confirm in writing the items we would like to address with you during our conference call scheduled for next week. Finally, we would appreciate a confirmation in writing of your intended compliance with the above requests.

Yours truly,

John Doran  
Assistant Superintendent



Office of the Superintendent  
of Financial Institutions Canada

255 Albert Street  
Ottawa, Canada  
K1A 0H2

Bureau du surintendant  
des institutions financières Canada

245, rue Albert  
Ottawa, Canada  
K1A 0H2

www.osfi-bsif.gc.ca

VIA FACSIMILE: (604) 224-1154

PROTECTED B

Our File: P5100-A140-1

March 25, 2003

This is Exhibit "L" referred to in the  
affidavit of *KAREN DUNN*  
sworn before me, this *22nd*  
day of *July*, 2003.  
*[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

AirBC Pilots Pension Board  
c/o Captain John Schretlen  
Chairman of the AirBC Pilots Pension Board  
3692 West 24 Avenue  
Vancouver, British Columbia  
V6S 1R1

Dear Captain Schretlen:

Subject: AirBC Pilots Pension Plan (AirBC Plan)  
Registration Number 56677  
*Pension Benefits Standards Act, 1985 (PBSA)*

Further to the discussions held today between yourself, Linda Maher and Suzanne Théorêt of our office, OSFI is currently monitoring closely the financial position of the plans sponsored by the Air Canada group of companies, and the possible negative effect that future events could have on members' benefits. In light of this, OSFI is looking at all possible measures that should be taken now by the administrators of these plans and OSFI to address this.

1. Requested Actions

Effective immediately, I ask that you cease processing payment of transfer values for terminating members of the AirBC Plan until the next valuation report is filed with OSFI.

2. Preparation Date of Valuation Report

The AirBC Plan is due to prepare a Valuation Report as at December 31, 2002. Pursuant to subsections 12(3) and (4) of the PBSA, I direct that you file the Valuation Report with our office on or before April 30, 2003.

Canada

3. Communication to Members

The current financial position of the AirBC plan may have changed since the last valuation report was filed with OSFI. It is important that information to members be timely and transparent. Pursuant to section 13 of the PBSA, we require that the members be informed of the current financial position of their pension plan on a termination or solvency basis and that this information be provided to plan members on or before April 4, 2003. In addition, pursuant to subsection 34 (1), we ask that you submit for our prior review the communication requested above that you will be providing to the plan members on the pension plan.

You mentioned that the December 2002 Valuation Report will show that the plan continues to be fully funded on a solvency or termination basis. If you receive written confirmation from the plan actuary that the December 2002 Valuation Report currently being prepared shows that the plan continues to be fully funded on a termination or solvency basis, you may provide the information we have requested above to members with their annual statements by June 30, 2003. Please provide us with a copy of the confirmation letter from the plan actuary.

4. Statement of Investment Policy and Procedures (SIP&P)

Please provide us with the current SIP&P that has been adopted for the plan, and future updates as they are made.

5. List of Assets

To enable us to monitor the investments for the Plan more frequently, please provide us with a list of assets held by the plan:

- as at December 31, 2002 or at a more current date if available,  
and
- on a monthly basis thereafter.

Would you also please advise with whom we should communicate to obtain monthly updates on the list of assets and investment returns to monitor the performance of the pension fund.

6. Remittances of Contributions

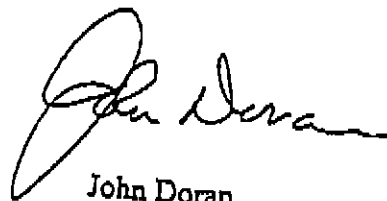
Please confirm the name of the custodian for the pension fund in respect of the plan, and the address, fax number, telephone number and name of the contact person. We will be communicating with the custodian on a regular basis, confirming the remittance of contributions.

Captain John Schretlen  
Page 3

Finally, we would appreciate a confirmation in writing of your intended compliance with the above requests.

Should you require further information or clarification, please contact Suzanne Théorêt at (613) 990-3599, fax (613) 990-7394.

Yours truly,



John Doran  
Assistant Superintendent

cc: Mr. Julian Leong, Leong & Associates, by fax 604-688-0863  
Ms Lynn Loewen, Jazz Air Inc., by fax 902-873-2098



03/26/03 WED 16:46 FAX



A79

310 Goudrey Drive, Halifax International Airport  
 Enfield, Nova Scotia, B2T 1E4

Jamie O'Neill  
 Director, Finance  
 Tel: (902) 873-5071  
 Fax: (902) 873-5527  
 Email: jamie.oneyll@fbyjazz.ca

March 26, 2003

Via Fax (613) 990-7394

Ms. Suzanne Théorét  
 Senior Supervisor  
 Office of the Superintendent  
 of Financial Institutions Canada  
 255 Albert Street  
 Ottawa, Ontario  
 K1A 0H2

This is Exhibit "M" referred to in the  
 affidavit of KAREN VANDERBROEK  
 sworn before me this 22nd  
 day of June 2003.  
  
 A COMMISSIONER FOR TAKING AFFIDAVITS

Dear Ms. Théorét:

Re: Contributory Defined Benefit Pension for the Employees of Air Ontario Inc.

Further to our conference call on March 25, 2003, please find enclosed the following documentation:

- Letter dated March 26, 2003 to Jamie Hayden, Mercer Investment Consulting, requesting that they proceed with an actuarial valuation of the Contributory Defined Benefit Pension Plan for the employees of Air Ontario Inc., and that they cease processing transfer values for terminating employees who participate in the plan.
- Statement of Investment Policies and Procedures for the Contributory Defined Benefit Pension Plan for the employees of Air Ontario Inc.
- Listing of Pension Fund Custodians for all pension plans.
- Contact information for the Plan Administrator and Actuary for the AirBC Pilot Pension Plan. We also include an excerpt from the Collective Agreement, which shows the funding formula for the plan.
- A copy of the draft audited financial statements for Jazz Air Inc. We expect the audited financial statements will be issued in a final format before the end of April 2003, at which time, we will provide an updated copy, together with a copy of the Jazz interim unaudited financial statements for the quarter ended March 31, 2003.

Page 2  
March 26, 2003

- Jazz Air Inc. Pension Organization Chart.

Keryn Todd, Pension Manager at Jazz is in the process of accumulating a listing of the assets for both the Air Ontario and AirBC plans and she will forward these documents along as soon as possible.

Furthermore, we have requested that Mercer Investment Consulting assist us in the preparation of a communication to the members of the subject pension plan, to be distributed on or before April 4, 2003. We will provide you with a copy of the draft communication prior to its release, allowing sufficient time for review and incorporation of your comments prior to April 4.

Kindly contact me if you require any additional information, or have any questions concerning the information provided.

Yours truly,

  
 JOL/ac  
 Enc.

cc. B. Lynn Loewen  
Vice President, Corporate Services and Chief Financial Officer

List of Pension Fund Custodians

Plan	Custodian & Contact	Address	Phone	Fax
The Air BC Pension Plan	RBC Global Services Acct #118279001  Willy Van Egdorn	600 - 1055 W. Georgia St Vancouver, BC V6E 4P3	604-257-6123	604-257-6126
Contributory Defined Benefit Pension Plan (name changing to Jazz Air Inc. Defined Benefit Plan for Pilots eff Jan 1, 2004) Reg # 65640	RBC Global Services Acct # 95031001  Kazi Nabi Global Client Reporting Officer	77 King St. West Toronto, ON M5W 1P9	416-955-2974	416-955-2630
Defined Contribution Plans:  Jazz Air Inc. Pension Plan for Management, ATS & Unions Reg # 56814  Reg # 55075  Reg # 56813  Reg # 56829  Reg # 56830  Reg # 57062  Reg # 56456  All above plans winding up eff March 31, 2003 & merging into Reg #56814  Jazz Air Inc. Pension Plan for Directors Reg # 56711	Sun Life Assurance Company of Canada  Rita Vital Account Specialist	225 King Street West 14 <sup>th</sup> floor Toronto, ON M5V 3C5	416-408-8908	416-595-9029

**AirBC Pilot Pension Plan  
Contact Information**

**Mr. John Schretlen**  
Airline Pilots Association  
3692 West 27th Ave  
Vancouver, BC V6S 1R1

(Phone) 604-224-4228  
(Fax) 604-224-1154  
Email: schretlen@shaw.ca

**Mr. Julian Leong**  
Leong & Associates  
1138 - 1100 Melville St  
Vancouver, BC V6E 4A6

(Phone) 604-688-9839 ext 210  
(Fax) 604-688-0863  
Email: jleong@leong-associates.com

SECTION 28  
PENSION PLAN

28-1 PENSION PLAN

- .01 Commencing the first month after ratification of Agreement 2 the Company agrees to contribute each month on behalf of each Pilot the sum of four point five percent (4.5%) of such Pilot's gross earnings up to one-twelfth (1/12<sup>th</sup>) of the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and six percent (6%) of the excess if any Pilots monthly gross earnings are over one-twelfth (1/12<sup>th</sup>) of the YMPE.
- .02 These contributions shall be on a mandatory basis and will be used to fund a Pilot sponsored Defined Benefit Pension Plan.
- .03 Pilot participation shall be on a mandatory basis, with payroll deductions to match .01 above.
- .04 The Company agrees to contribute to the Plan the negotiated contribution as per .01 on behalf of any Pilot who voluntarily continues to contribute as per .03 from the date the pilot qualifies for Short Term Disability (STD) until the Pilot qualifies for Long Term Disability (LTD) monthly benefits.
- .05 The Company agrees to contribute to the Plan their negotiated contribution rate(s) on behalf of any Pilot who is on disability leave from the date the Pilot qualifies to receive LTD monthly benefits based on the Pilot's gross earnings.
- .06 Commencing January 1, 2000 the Company agrees to contribute to the Plan five thousand dollars (\$5,000.00) per month for the life of the agreement, allocated first to .07 and the residual to .08 as specified below.
- .07 Where a member agrees to contribute to the Plan one-half of the cost, as determined by the Actuary, for excluded periods of service from January 1, 1991 to December 31, 1999 while he was on STD, a portion of the contribution as per .06 equal to the member's contribution, as per this item .07, will be allocated for this purpose.

SECTION 28

.08 The residual Company contribution as specified in .06 over the amounts allocated as per .07 will be made to provide additional periods of pre-1991 credited service with the Company not previously purchased. The method of allocation will be determined by the Pension Plan Board.



310 Gaudet Drive, Halifax International Airport  
Enfield, Nova Scotia, B2T 1E4

Jamie O'Neil  
Director, Finance  
Tel: (902) 873-5977  
Fax: (902) 873-5527  
Email: jamie.omeil@airjazz.ca

March 26, 2003

Via Fax (416) 868-2131

Mr. Jamie Hayden  
Mercer Investment Consulting  
161 Bay Street  
P.O. Box 501  
Toronto, Ontario  
M5J 2S5

**RECEIVED**  
March 27/03

This is Exhibit "N" referred to in the  
affidavit of KARON STADEN-COSTAN  
sworn before me, this 22  
day of March, 2003  
*[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

Dear Jamie:

Re: Contributory Defined Benefit for the Employees of Air Ontario Inc.

Further to our discussion on March 25, 2003, please proceed with an actuarial valuation for the above noted plan as at December 31, 2002, with a targeted completion date of April 30, 2004.

In addition, please cease processing the payment of transfer values for terminating employees in the subject plan, pending finalization of the December 31, 2002 valuation.

Yours truly,

*[Signature]*

JO/ac  
Enc.

cc. B. Lynn Loewen  
Vice President, Corporate Services and Chief Financial Officer  
Air Canada Jazz

Suzanne Théorét, Senior Supervisor  
Office of the Superintendent of Financial Institutions Canada  
Via Fax (613) 990-7394



Protected B  
Protégé B

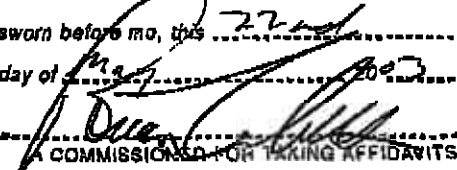
John M. Baker  
Senior Vice President and General Counsel  
Premier vice-président et Conseiller juridique général

May 2, 2003

MAY 02 2003



Ms. Karen Badgerow-Croteau  
Managing Director  
Office of the Superintendent  
of Financial Institutions  
255 Albert Street  
Ottawa, Ontario  
K1A 0H2

This is Exhibit "0" referred to in the  
affidavit of KAREN BADGEROW-CROTEAU  
sworn before me, this 22nd  
day of May, 2003.  
  
A COMMISSIONER FOR TAKING AFFIDAVITS

Dear Ms. Badgerow-Croteau:

**Subject: Air Canada Pension Plans**

As discussed in previous conversations, we enclose herewith certain updates on the financial position of the following pension plans as at January 1, 2003.

Registration No.	Plan Name
55345	Air Canada Pension Plan
55755	Air Canada Executive Pension Plan including former Executives of Canadian Airlines International Ltd.
57025	Air Canada Pension Plan-Pilots
55391	Pension Plan for Technical Services and Clerical Employees, as represented by the International Association of Machinists and Aerospace Workers of Canadian Airlines International Ltd.
55067	Pension Plan for CAW Members employed by Canadian Airlines International Ltd.
55248	Pension Plan for Management Employees of Canadian Airlines International Ltd.

CENTRE AIR CANADA 1276  
C.P. 14 000, Succ. Aéroport  
Dorval QC H4Y 1H4  
Tel/TEL: (514) 422-7275  
Fax/TELÉC: (514) 422-6147  
john.baker@aircanada.ca  
aircanada.ca



May 2, 2003  
 Karen Badgerow-Croteau  
 2....

**Protected B**  
**Protege B**

- 55519 Pension Plan for Cabin Personnel, as represented by the Canadian Union of Public Employees, of Canadian Airlines International Ltd.
- 55526 Pension Plan for Pilots, as represented by the Airline Pilots Association International, of Canadian Airlines International Ltd.
- 55044 Pension Plan for Dispatch Employees, as represented by the Canadian Airline Dispatchers Association, of Canadian Airlines International Ltd.

As previously discussed, we confirm that these updates do not constitute actuarial valuation reports within the meaning of the *Pension Benefit Standards Act, 1985* or the Regulations thereunder and will not be used for purposes of determining funding requirements for the relevant pension plans. The updates are provided to OSFI for informational purposes only. Given the current CCAA proceedings, we wish to make it clear that the provision of these updates do not constitute a waiver of any rights that Air Canada has pursuant to the Initial Order issued by the Ontario Superior Court of Justice on April 1, 2003 and confirmed by Order dated April 25, 2003 or to challenge the legitimacy of the OSFI Direction of Compliance.

Should you have any questions with respect to the information provided to you hereunder, please contact Ms. Caroline Drouin, Director, Pensions and Employee Benefits.

Yours very truly,



ccs: Susan Welscheid, Vice President, People  
 J. Michael O'Connell, Senior Director, Total Rewards  
 Caroline Drouin, Director, Pensions and Employee Benefits, Air Canada  
 Louis-George Simard, Mercer Human Resource Consulting

Bccs: Calin Rovinescu, Executive Vice President, Corporate Development & Strategy  
Sean Dunphy, Stikeman Elliott, Toronto  
Gary Nacshen, Stikeman Elliott, Toronto



Office of the Superintendent  
of Financial Institutions Canada

Bureau du surintendant  
des institutions financières Canada

665 Albert Street  
Ottawa, Canada  
K1A 0H2

255, rue Albert  
Ottawa, Canada  
K1A 0H2

www.osfi-bsif.gc.ca

May 16, 2003

Mr. John M. Baker  
Senior Vice President and General Counsel  
Air Canada  
Air Canada Center, Zip 1276  
P.O. Box 14000, Postal Station St-Laurent  
Montreal, Quebec  
H4Y 1H4

This is Exhibit "P" referred to in the  
affidavit of KAREN BADGEROW-CROTEAU  
sworn before me this 22nd  
day of May 2003  
[Signature]  
COMMISSIONER FOR TAKING AFFIDAVITS

Dear Mr. Baker:

We are in receipt of financial updates for the Air Canada Pension Plans as provided on May 2<sup>nd</sup> and thank you for the same.

As you are aware, subsection 12 (3.1) of the *Pension Benefits Standards Act, 1985* ("PBSA, 1985") provides that actuarial or valuation reports must be prepared in accordance with the standards adopted by the Canadian Institute of Actuaries. Such reports must provide for the funding of the applicable pension plan and also be prepared in accordance with the PBSA, 1985. The *Pension Benefits Standards Regulation, 1985* and in particular, section 9 of those regulations, set out the required level of funding that pension plans must meet. The information provided on May 2<sup>nd</sup> has a number of deficiencies in this regard, namely the lack of an inclusion of a payment schedule in respect of the normal current service costs and those relating to the funding of the deficit. As discussed during a telephone conversation on May 12<sup>th</sup>, the absence of this information, however, does not release Air Canada, as plan sponsor, from its obligations in respect of the funding requirements of these plans as these amounts continue to accrue and form part of a deemed trust for the plan beneficiaries. We recognize, however, that the payment schedules and deficits in respect of these plans may in fact change as a result of the current processes underway to restructure the plans.

Please note that with respect to the valuation or actuarial reports, the requirements for the filing of these reports as set out in our March 21<sup>st</sup> letter remain in effect and will be pursued in a motion to amend the initial order later this month.

OSFI continues to remain open to working with Air Canada and other parties to seek appropriate solutions in the best interests of the members and other beneficiaries of the plans.

If you have any further questions, please do not hesitate to contact me.

Yours very truly,

Karen Badgerow-Croteau  
Managing Director, Supervision

Canada



Office of the Superintendent  
of Financial Institutions Canada

255 Albert Street  
Ottawa, Canada  
K1A 0H2

Bureau du surintendant  
des institutions financières Canada

255, rue Albert  
Ottawa, Canada  
K1A 0H2

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May 21, 2003

Ms. Lynn Loewen  
Vice-President, Corporate Services and Chief Financial Officer  
Jazz Air Inc  
310 Goudey Drive  
Halifax International Airport  
Enfield, Nova Scotia  
B2T 1E4

This is Exhibit "0" referred to in the  
affidavit of KAREN BADGEROW-CROTEAU  
sworn before me, this 22<sup>nd</sup>  
day of May, 2003  
[Signature]  
COMMISSIONER FOR TAKING AFFIDAVITS

Dear Ms. Loewen:

We are in receipt of financial update for the Contributory Defined Benefit Pension Plan for the Employees of Air Ontario as provided on May 5<sup>th</sup> and thank you for the same.

As you are aware, subsection 12 (3.1) of the *Pension Benefits Standards Act, 1985* ("PBSA, 1985") provides that actuarial or valuation reports must be prepared in accordance with the standards adopted by the Canadian Institute of Actuaries. Such reports must provide for the funding of the applicable pension plan and also be prepared in accordance with the PBSA, 1985. The *Pension Benefits Standards Regulation, 1985* and in particular, section 9 of those regulations, set out the required level of funding that pension plans must meet. The information provided in respect of the above referenced plan has a number of deficiencies in this regard, namely the lack of an inclusion of a payment schedule in respect of the normal current service costs and those relating to the funding of the deficit. The absence of this information, however, does not release Jazz Air Inc. as plan sponsor, from its obligations in respect of the funding requirements of this plan as these amounts continue to accrue and form part of a deemed trust for the plan beneficiaries. We recognize, however, that the payment schedules and deficits in respect of the plan may in fact change as a result of the current processes underway to restructure the plan.

Please note that with respect to the valuation or actuarial reports, the requirements for the filing of this report as set out in our March 21<sup>st</sup> letter remain in effect and will be pursued in a motion to amend the initial order later this month.

OSFI continues to remain open to working with Jazz Air Inc. and other parties to seek appropriate solutions in the best interests of the members and other beneficiaries of the plans.

If you have any further questions, please do not hesitate to contact me.

Yours very truly,

Karen Badgerow-Croteau  
Managing Director, Supervision

Canada



Office of the Superintendent  
of Financial Institutions Canada

Bureau du surintendant  
des institutions financières Canada

121 King St. West  
Toronto, Ontario  
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121 rue King ouest  
Toronto (Ontario)  
M5H 3T9

www.osfi-bsif.gc.ca

VIA FACSIMILE: (902) 873-2098

PROTECTED B

PA  
Our Files: P5100-A79-1

May 16, 2003

This is Exhibit "R" referred to in the  
affidavit of KAREN DUNBAR-COOPER  
sworn before me, this 22nd  
day of May, 2003.  
*[Signature]*  
A COMMISSIONER FOR TAKING AFFIDAVITS

Ms Lynn Loewen  
Vice President, Corporate Services, and Chief Financial Officer  
Jazz Air Inc.  
310 Goudey Drive  
Halifax International Airport  
Enfield, Nova Scotia  
B2T 1E4

Dear Ms Loewen:

**Subject: Temporary Direction of Compliance  
Defined Contribution Pension Plans (the Plans)  
Pension Benefits Standards Act, 1985 (PBSA)**

Pursuant to subsections 11(1) and (2) of the PBSA, please find enclosed a Temporary  
Direction of Compliance, which is effective today.

Yours truly,

*[Signature]*

John Doran  
Assistant Superintendent  
Supervision

Encl.

Canada



Office of the Superintendent  
of Financial Institutions Canada

121 King St. West  
Toronto, Ontario  
M5H 3T9

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des institutions financières Canada

121, rue King ouest  
Toronto (Ontario)  
M5H 3T9

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**PROTECTED B**

**TEMPORARY DIRECTION**

**RE: AirBC Pension Plan for Members of the CAW, Local 2213;  
AirBC Pension Plan for Flight Attendants;  
AirBC Pension Plan for Commercial Service Employees;  
AirBC Pension Plan for Employees Represented by the  
Canadian Airline Dispatchers Association Local #3;  
The Money Purchase Plan for Employees of Air Ontario Inc.;  
Jazz Air Inc. Pension Plan for Directors;  
Jazz Air Inc. Pension Plan for Management and ATS Employees;  
Canadian Regional Airlines (1998) Ltd. Pension Plan**

(Hereinafter referred to as "Plans")

Jazz Air Inc., the employer in respect of the Plans, has ceased or suspended making its required contributions to the Plans although the Plans contain defined contribution provisions that require the employer to make regular contributions to the Plans' funds.

In addition by not ensuring that the employer's required contributions are being remitted to the Plans, Jazz Air Inc., as administrator of the Plans, is not ensuring the adequate funding of the Plans in accordance with the terms of the Plans and the *Pension Benefits Standards Act, 1985* ("PBSA, 1985").

I am therefore of the opinion that the Plans are not being administered in accordance with the *Pension Benefits Standards Act, 1985* ("PBSA, 1985"), its regulations or the Plans. In addition, I am of the opinion that by failing to remit its contributions, Jazz Air Inc. is committing an act or course of conduct that is contrary to safe or sound financial or business practices in respect of the Plans.

Accordingly, pursuant to subsections 11(1), (2) and (4) of the PBSA, 1985 in order to remedy this situation, I direct that, in relation to the Plans, Jazz Air Inc. immediately remit to the Plans' funds on a monthly basis the contributions it is required to make in accordance with the terms of the Plans and the PBSA, 1985. I also direct that Jazz Air Inc., as the administrator of the Plans, take all steps necessary to ensure that the employer's contributions are remitted to the Plans' funds.

Subject to the following, this Temporary Direction is effective immediately and will remain in effect until May 26, 2003.

Canada

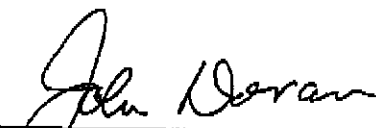
- 2 -

Unless this Temporary Direction is revoked, this Direction shall continue in effect after May 26, 2003 if no representations are made to me or, if such representations having been made, I notify you that I am not satisfied that there are sufficient grounds for revoking this Direction. If you wish to make representations, please do so in writing delivered prior by the close of business on May 26, 2003, at our Ottawa office. The address is as follows:

Office of the Superintendent of Financial Institutions  
13th Floor  
255 Albert Street  
Ottawa, Ontario  
K1A 0H2

Directions issued pursuant to subsections 11(1), (2) and (4) are subject to court enforcement under the provisions of section 33 of the PBSA, 1985. In addition, non-compliance of a direction is an offence pursuant to section 38 of the PBSA, 1985. A copy of these provisions of the Act is attached for your convenience.

Dated at Toronto, Ontario this 16<sup>th</sup> day of May, 2003.

  
\_\_\_\_\_  
John Doran  
Assistant Superintendent, Supervision



Office of the Superintendent  
of Financial Institutions Canada  
121 King St. West  
Toronto, Ontario  
M5H 3T8

Bureau du surintendant  
des institutions financières Canada  
121, rue King ouest  
Toronto (Ontario)  
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VIA FACSIMILE: (902) 873-2098

PA  
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Our Files: P5100-A79-1

May 16, 2003

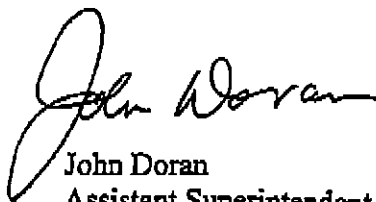
Ms Lynn Loewen  
Vice President, Corporate Services, and Chief Financial Officer  
Jazz Air Inc.  
310 Goudey Drive  
Halifax International Airport  
Enfield, Nova Scotia  
B2T 1E4

Dear Ms Loewen:

**Subject: Temporary Direction of Compliance  
Contributory Defined Benefit Pension Plan for the Employees  
of Air Ontario Inc. (the Plan)  
Pension Benefits Standards Act, 1985 (PBSA)**

Pursuant to subsections 11(1) and (2) of the PBSA, please find enclosed a Temporary  
Direction of Compliance, which is effective today.

Yours truly,

  
John Doran  
Assistant Superintendent  
Supervision

Encl.

Canada





Office of the Superintendent  
of Financial Institutions Canada

121 King St. West  
Toronto, Ontario  
M5H 3T9

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121, rue King ouest  
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M5H 3T9

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**PROTECTED B**

**TEMPORARY DIRECTION**

**RE: Contributory Defined Benefit Pension Plan  
for the Employees of Air Ontario Inc.**

(Hereinafter referred to as "Plan")

Jazz Air Inc., the employer in respect of the Plan, has ceased or suspended making its required contributions to the Plan although the Plan currently has a solvency deficit.

In addition by not ensuring that the employer's required contributions are being remitted to the Plan, Jazz Air Inc., as administrator of the Plan, is not ensuring the adequate funding of the Plan in accordance with the terms of the Plan and the *Pension Benefits Standards Act, 1985* ("PBSA, 1985").

I am therefore of the opinion that the Plan is not being administered in accordance with the *Pension Benefits Standards Act, 1985* ("PBSA, 1985"), its regulations or the Plan. In addition, I am of the opinion that by failing to remit its contributions, Jazz Air Inc. is committing an act or course of conduct that is contrary to safe or sound financial or business practices in respect of the Plan.

Accordingly, pursuant to subsections 11(1), (2) and (4) of the PBSA, 1985 in order to remedy this situation, I direct that, in relation to the Plan, Jazz Air Inc. immediately remit to the Plan's fund the contributions it is required to make in accordance with the terms of the Plan and the PBSA, 1985. I also direct that Jazz Air Inc., as the administrator of the Plan, take all steps necessary to ensure that the employer's contributions are remitted to the Plan's fund.

Subject to the following, this Temporary Direction is effective immediately and will remain in effect until May 26, 2003.

Unless this Temporary Direction is revoked, this Direction shall continue in effect after May 26, 2003 if no representations are made to me or, if such representations having been made, I notify you that I am not satisfied that there are sufficient grounds for revoking this Direction. If you wish to make representations, please do so in writing delivered prior by the close of business on May 26, 2003, at our Ottawa office. The address is as follows:

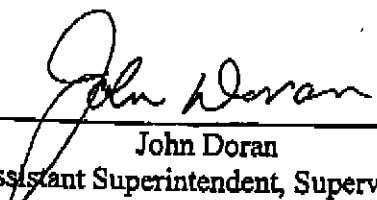
Office of the Superintendent of Financial Institutions  
13th Floor  
255 Albert Street  
Ottawa, Ontario  
K1A 0H2

Canada

- 2 -

Directions issued pursuant to subsections 11(1), (2) and (4) are subject to court enforcement under the provisions of section 33 of the PBSA, 1985. In addition, non-compliance of a direction is an offence pursuant to section 38 of the PBSA, 1985. A copy of these provisions of the Act is attached for your convenience.

Dated at Toronto, Ontario this 16<sup>th</sup> day of May 2003.

  
\_\_\_\_\_  
John Doran  
Assistant Superintendent, Supervision



Office of the Superintendent  
of Financial Institutions Canada

121 King St. West  
Toronto, Ontario  
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VIA FACSIMILE: (902) 873-2098

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Our Files: P5100-A79-1

May 16, 2003

This is Exhibit "5" referred to in the  
affidavit of KAREN PROSSER-GOTKA  
sworn before me, this 23rd  
day of July 2003  
[Signature]  
A COMMISSIONER FOR TAKING AFFIDAVITS

Ms Lynn Loewen  
Vice President, Corporate Services, and Chief Financial Officer  
Jazz Air Inc.  
310 Goudey Drive  
Halifax International Airport  
Enfield, Nova Scotia  
B2T 1E4

Dear Ms Loewen:

**Subject: Temporary Direction of Compliance  
Contributory Defined Benefit Pension Plan for the Employees  
of Air Ontario Inc. (the Plan)  
Pension Benefits Standards Act, 1985 (PBSA)**

Pursuant to subsections 11(1) and (2) of the PBSA, please find enclosed a Temporary  
Direction of Compliance, which is effective today.

Yours truly,

[Signature]

John Doran  
Assistant Superintendent  
Supervision

Encl.

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of Financial Institutions Canada

121 King St. West  
Toronto, Ontario  
M5H 3T9

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**PROTECTED B**

**TEMPORARY DIRECTION**

**RE: Contributory Defined Benefit Pension Plan  
for the Employees of Air Ontario Inc.**

**(Hereinafter referred to as "Plan")**

Jazz Air Inc., the employer in respect of the Plan, has ceased or suspended making its required contributions to the Plan although the Plan currently has a solvency deficit.

In addition by not ensuring that the employer's required contributions are being remitted to the Plan, Jazz Air Inc., as administrator of the Plan, is not ensuring the adequate funding of the Plan in accordance with the terms of the Plan and the *Pension Benefits Standards Act, 1985* ("PBSA, 1985").

I am therefore of the opinion that the Plan is not being administered in accordance with the *Pension Benefits Standards Act, 1985* ("PBSA, 1985"), its regulations or the Plan. In addition, I am of the opinion that by failing to remit its contributions, Jazz Air Inc. is committing an act or course of conduct that is contrary to safe or sound financial or business practices in respect of the Plan.

Accordingly, pursuant to subsections 11(1), (2) and (4) of the PBSA, 1985 in order to remedy this situation, I direct that, in relation to the Plan, Jazz Air Inc. immediately remit to the Plan's fund the contributions it is required to make in accordance with the terms of the Plan and the PBSA, 1985. I also direct that Jazz Air Inc., as the administrator of the Plan, take all steps necessary to ensure that the employer's contributions are remitted to the Plan's fund.

Subject to the following, this Temporary Direction is effective immediately and will remain in effect until May 26, 2003.

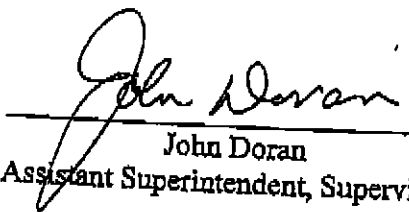
Unless this Temporary Direction is revoked, this Direction shall continue in effect after May 26, 2003 if no representations are made to me or, if such representations having been made, I notify you that I am not satisfied that there are sufficient grounds for revoking this Direction. If you wish to make representations, please do so in writing delivered prior by the close of business on May 26, 2003, at our Ottawa office. The address is as follows:

Office of the Superintendent of Financial Institutions  
13th Floor  
255 Albert Street  
Ottawa, Ontario  
K1A 0H2

**Canada**

Directions issued pursuant to subsections 11(1), (2) and (4) are subject to court enforcement under the provisions of section 33 of the PBSA, 1985. In addition, non-compliance of a direction is an offence pursuant to section 38 of the PBSA, 1985. A copy of these provisions of the Act is attached for your convenience.

Dated at Toronto, Ontario this 16<sup>th</sup> day of May 2003.

  
\_\_\_\_\_  
John Doran  
Assistant Superintendent, Supervision



Office of the Superintendent  
of Financial Institutions Canada

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des institutions financières Canada

121 King St. West  
Toronto, Ontario  
M5H 3T9

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M5H 3T9

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A140

VIA FACSIMILE: (604) 224-1154

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Our Files: P5100-A140-1

May 16, 2003

This is Exhibit 11-7 referred to in the  
affidavit of KAREN PUGH-REDDY-GESTAU  
sworn before me, this 13th  
day of May, 2003  
[Signature]  
A COMMISSIONER FOR TAKING AFFIDAVITS

AirBC Pilots Pension Board;  
c/o Captain John Schretlen  
Chairman  
3692 West 27<sup>th</sup> Avenue  
Vancouver, British Columbia  
V6S 1R1

Dear Captain Schretlen:

Subject: **Temporary Direction of Compliance  
AirBC Pilots Pension Plan (the Plan)  
Pension Benefits Standards Act, 1985 (PBSA)**

Pursuant to subsections 11(1) and (2) of the PBSA, please find enclosed a Temporary  
Direction of Compliance, which is effective today.

Yours truly,

[Signature]  
John Doran  
Assistant Superintendent  
Supervision

Encl.

Canada



Office of the Superintendent  
of Financial Institutions Canada

121 King St. West  
Toronto, Ontario  
M5H 3T9

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des institutions financières Canada

121, rue King ouest  
Toronto (Ontario)  
M5H 3T9

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**PROTECTED B**

**TEMPORARY DIRECTION**

**RE: AirBC Pilots Pension Plan**

(Hereinafter referred to as "Plan")

Jazz Air Inc., the employer in respect of the Plan, has ceased or suspended making its required contributions to the Plan although the Plan currently has an unfunded liability.

In addition by not ensuring that the employer's required contributions are being remitted to the Plan, AirBC Pilots Pension Board, as administrator of the Plan, is not ensuring the adequate funding of the Plan in accordance with the terms of the Plan and the *Pension Benefits Standards Act, 1985* ("PBSA, 1985").

I am therefore of the opinion that the Plan is not being administered in accordance with the *Pension Benefits Standards Act, 1985* ("PBSA, 1985"), its regulations or the Plan. In addition, I am of the opinion that by failing to remit its contributions, Jazz Air Inc. is committing an act or course of conduct that is contrary to safe or sound financial or business practices in respect of the Plan.

Accordingly, pursuant to subsections 11(1), (2) and (4) of the PBSA, 1985 in order to remedy this situation, I direct that, in relation to the Plan, Jazz Air Inc. immediately remit to the Plan's fund the contributions it is required to make in accordance with the terms of the Plan and the PBSA, 1985. I also direct that AirBC Pilots Pension Board, as the administrator of the Plan, take all steps necessary to ensure that the employer's contributions are remitted to the Plan's fund.

Subject to the following, this Temporary Direction is effective immediately and will remain in effect until May 26, 2003.

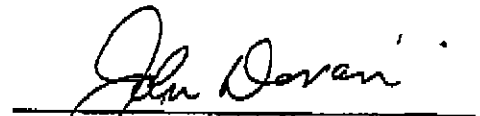
Unless this Temporary Direction is revoked, this Direction shall continue in effect after May 26, 2003 if no representations are made to me or, if such representations having been made, I notify you that I am not satisfied that there are sufficient grounds for revoking this Direction. If you wish to make representations, please do so in writing delivered prior by the close of business on May 26, 2003, at our Ottawa office. The address is as follows:

Office of the Superintendent of Financial Institutions  
13th Floor  
255 Albert Street  
Ottawa, Ontario  
K1A 0H2

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Directions issued pursuant to subsections 11(1), (2) and (4) are subject to court enforcement under the provisions of section 33 of the PBSA, 1985. In addition, non-compliance of a direction is an offence pursuant to section 38 of the PBSA, 1985. A copy of these provisions of the Act is attached for your convenience.

Dated at Toronto, Ontario this 16<sup>th</sup> day of May 2003.

  
\_\_\_\_\_  
John Doran  
Assistant Superintendent, Supervision