

AIR CANADA PRIVATE EQUITY SOLICITATION PROCESS

Supervision and Reporting

- The Monitor will supervise, facilitate and oversee the equity solicitation process (the “Process”) undertaken by Air Canada through its management, Seabury and the Board of Directors (the “Company”).
- Court approval for the Process will be obtained before the commencement of the Process.
- At the conclusion of the Process, the Monitor will provide its recommendation to the Company and the Court.
- The Company will bring forward a motion seeking approval of the selected private equity investor/investment agreement.
- The Monitor will provide periodic updates to the Court and its recommendation to the Court at the conclusion of the Process.

Stakeholder Input

- The Monitor has sought, and will continue to seek, input from stakeholders in regards to the implementation and execution of the Process.
- The Monitor will provide appropriate periodic updates to significant stakeholder groups which have executed confidentiality agreements:
 - GE;
 - Labour;
 - The Unsecured Creditors Committee (“UCC”); and
 - Deutsche Bank Securities Inc. (“DB”)
- During the periodic updates provided to stakeholders, the Company and the Monitor will respect the private equity investors’ desire for confidentiality.

Preliminary Matters

- The Company, with the concurrence of the Monitor, will develop a list of potential private equity investors which will be eligible to participate in the equity process. The potential private equity investors will be evaluated on the following criteria:
 - Ability to complete due diligence within 45 days;
 - Experience in transactions of this nature and/or in the airline industry;
 - Ability to fund an investment of the size and design required by the process;
 - Likelihood of closing within the time frames required and on the agreed terms and conditions; and
 - Evidence of financing sources.
- Given the 45-day period available for potential equity investors to conduct due diligence and the Company’s resource constraints, the Monitor will restrict the number of qualified potential investors eligible to conduct due diligence to not more than six parties.
- Qualified potential equity investors will be required to execute confidentiality agreements in a form satisfactory to the Company and the Monitor. The confidentiality agreements will require the qualified potential equity investors to irrevocably abide by the Process rules.
- The qualified potential equity investors must acknowledge that once they submit their proposed investment agreement, they will be unable to submit a further proposed investment agreement directly or indirectly for a period of six months following the decision of the Company and the Monitor to accept or reject their investment proposal, without the prior consent of the Company and the Monitor.

- Data rooms will be updated and will be made available in Montreal after May 4 to those qualified potential equity investors who execute and deliver the confidentiality agreements.
- Qualified potential equity investors will be given the opportunity to meet with the Labour groups provided that the Monitor and a representative from the Company will be present at any such meetings.
- The Monitor will be present at all meetings, conference calls and discussions between the Company and the qualified potential equity investors.

Form of Purchase Agreement

- Each qualified potential equity investor will be provided with a form of purchase agreement.
- The Company and the Monitor will develop the form of the purchase agreement.

Submission of Proposed Investment Agreements

- Potential equity investors will be required to submit their proposed investment agreements to the Company and the Monitor.
- Proposed investment agreements must be executed by the private equity investor.
- The private equity investor must acknowledge that the proposed investment agreement will be binding on them if executed by Air Canada.
- Proposed investment agreements shall contain:
 - The amount of cash investment proposed and the percentage of equity to be purchased in the restructured Air Canada;
 - No condition requiring:
 - The renegotiation of any material contract that has received approval of the Court during the restructuring;
 - The renegotiation of any collective bargaining agreement;
 - Any changes to the design of the pension plans; and
 - Funding of the pension and benefit plans on a basis that is less favourable to Air Canada than the terms of the February 2004 agreement between Air Canada and the pension beneficiary groups.
 - Required securities including any special voting rights;
 - Governance requirements;
 - Evidence indicating the proposed investment agreement meets Canadian ownership regulations;
 - Material conditions required and the dates such conditions must be satisfied or waived;
 - No conditions that are incompatible with any condition in the DB Standby Agreement;
 - No financing condition;
 - No additional due diligence requirements.
 - Internal or regulatory approvals required by the potential equity investor, including the timing for receipt of such approvals;
 - Confirmation that the private equity investment proposal will remain open until June 30, 2004 unless earlier accepted or rejected by the Company and the Monitor;
 - Contact information.

Selection of Investment Agreement

- The Company with the concurrence of the Monitor reserves the right to reject any or all of the proposed investment agreements received.
- Proposed investment agreements will be evaluated by the Company and the Monitor on a basis that includes the following:
 - Pricing
 - Closing Risk/Timing
 - Form of Purchase Agreement close to the form provided to potential equity investors
- Court approval will be required before any proposed equity investment agreement becomes binding on Air Canada.

Timelines

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| ○ Court approval of private equity process | May 4 |
| ○ Private equity investors contacted | May 4 |
| ○ Due diligence commences | May 5 |
| ○ DB Standby Agmt - Labour and OSFI conditions to be met | May 15 |
| ○ Draft investment agreements issued | May 21 |
| ○ Due diligence ends | June 18 |
| ○ Binding investment agreements due | June 18 |
| ○ Investment agreements evaluated/selection made | June 18 to 20 |
| ○ Court approval of investment agreement | June 25 |
| ○ Plan filed | June 30 |
| ○ Creditors Meeting held | August 15 |
| ○ Target Closing and exit from CCAA | Sept 30 |